



Second loan from 38 Studios program in trouble

State can't say how much taxpayers could lose with \$2.25M unpaid

By Ted Nesi and Tim White

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PROVIDENCE, R.I. (WPRI) – Top state officials have been put on notice about problems with another taxpayer-backed loan that was given out through the same program that backed Curt Schilling's 38 Studios, the Target 12 Investigators have learned.

The R.I. Commerce Corporation sent a formal notification to the governor's office Dec. 17 disclosing "an insufficiency of funds to pay the full principal amount" on a \$4-million loan approved for The Corporate Marketplace Inc. in 2011. The Commerce Corp. used its Job Creation Guaranty Program to effectively co-sign on the loan.

Commerce Corp., a quasi-public agency, pegged the shortfall on the loan principal at \$2.25 million.

- **PDF:** See the formal loan notification sent to the governor (<https://lintvwpr.files.wordpress.com/2015/01/commerce-corp-to-gov-jcgp-12-17-2014.pdf>)
- **Watch:** Corporate Marketplace's CEO on Executive Suite (<https://www.youtube.com/watch?v=DKxxP4B7A6c>)

Joy Fox, a spokeswoman for Gov. Gina Raimondo, said Tuesday it's "too early" to say whether the governor will have to include taxpayer money in the next state budget to cover loan payments on Corporate Marketplace's behalf. That's already happening in the case of 38 Studios, which went bankrupt two years after getting a \$75-million state-backed loan.

"The amount of any estimated loss related to the State's moral obligation for this borrower under the JCGP is not presently determinable," Rhode Island officials disclosed in the annual state audit released this month.

Corporate Marketplace CEO Chris Crawford told Target 12 his North Kingstown tech company's problems began last spring when it lost two major clients who accounted for \$10 million of its annual revenue. The company was initially forced to lay off employees but subsequently hired "many" of them back and remains profitable, he said.

"I think we're doing all the prudent things that we need to do," Crawford said. "I don't think there'll be any exposure to the taxpayers. Everybody is working their tails off to find that \$10 million. I'm optimistic."

Bridge Bank, which provided the \$4-million five-year term loan, first sent the Commerce Corp. a "notice of nonpayment" on Aug. 27. The agency then made a \$75,335.94 payment to Bridge Bank in early September, Commerce Corp. spokeswoman Melissa Czerwein told Target 12, with the money coming from its Job Creation Guaranty Program reserve fund.

Corporate Marketplace drew down about \$3.7 million of the \$4 million in loan money, with \$1 million of it set aside in a reserve account, Crawford said. The company paid back roughly \$500,000, and the Commerce Corp. has used the \$1 million to further reduce the principal, leaving the balance at \$2.25 million, according to Crawford and Czerwein.

"Corporate Marketplace continues to operate," Czerwein said Tuesday. "Commerce RI is working with Bridge Bank and the company to restructure their debt. It is our goal to make the company viable while minimizing the exposure to the taxpayers of Rhode Island."

Czerwein declined to say when the agency might need to make another payment on the Corporate Marketplace loan or estimate how much it would cost. "Payments are subject to the restructuring of the company's financials," she said.

A spokesman for Bridge Bank did not respond to a request for comment.

Crawford praised Bridge Bank and Commerce Corp. officials for working with him during a challenging time for the company, which helps other businesses manage their rewards programs, particularly by authorizing the use of \$1 million reserve fund.

"What we just agreed is that the \$1 million is really our money that's sitting there ... and it's just silly to have it sitting there when it could be in effect used to help us in this situation," he said.

Crawford said he is asking Bridge Bank to extend the loan from five years to 10, and is simultaneously working to drum up new business and raise up to \$5 million in additional equity financing.

"That \$2.25 million, which is the remaining loan, I think the bank is going to extend it out and give us a much longer period of time to pay back, which we'll be able to do, and in the process we'll rebuild the company back up quickly," he said. "Taxpayers won't be on the hook."

"I'm very optimistic," he added. "We just needed that runway."

Fox, Raimondo's spokeswoman, had little to say about the Corporate Marketplace loan. "It is no secret that certain Commerce Corp. initiatives have had challenges and have faced scrutiny," she said. "As we foster innovation in state government, we will closely examine the way the state carries out its economic development efforts."

The \$4-million loan guarantee for Corporate Marketplace was authorized by the board of the Commerce Corp., which was then called the R.I. Economic Development Corporation and chaired by Gov. Lincoln Chafee, in a unanimous vote in the fall of 2011. The board approved a modification of the loan in May 2013.

The Commerce Corp. board met behind closed doors multiple times last year to discuss the situation at Corporate Marketplace after Bridge Bank informed the agency that a payment had been missed.

State lawmakers created the Job Creation Guaranty Program in June 2010, authorizing the then-EDC to back up to \$125 million in loans to technology companies. The following month, the EDC board guaranteed a \$75-million loan to 38 Studios. The company went bankrupt within two years, leaving taxpayers on the hook for roughly \$90 million in principal and interest payments. The General Assembly repealed the program entirely in 2013.

The 38 Studios and Corporate Marketplace loans were two of four that the Commerce Corp. guaranteed before the program was eliminated.

The program also provided a \$1.5-million loan guarantee to NuLabel Technologies Inc. NuLabel CEO Max Winograd told

Target 12 the company allowed the guarantee to expire without using it, though he said it gave the startup a boost at the time. NuLabel has since raised roughly \$14 million in private capital, Winograd said.

"Business is great," he said.

The fourth Job Creation Guaranty Program loan guarantee was for \$1 million and went to eNow Inc., a Warwick solar technology company, in 2012. Its CEO did not return a phone call Tuesday.

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State finds improper lobbying in 38 Studios case

Posted: Dec 18, 2014 3:52 PM EST

Updated: Dec 18, 2014 3:54 PM EST

PROVIDENCE, R.I. (AP) - Secretary of State Ralph Mollis has approved a decision concluding that an ex-38 Studios board member engaged in unregistered lobbying.

A hearing officer for Mollis' office found that Thomas Zaccagnino lobbied without registering for former Red Sox pitcher Curt Schilling's failed video game company, which received a \$75 million state loan guarantee. Zaccagnino will be fined \$2,000 if he doesn't file required reports within seven days.

Mollis said Thursday that he's acting in Rhode Islanders' best interests and working to close the investigation.

Zaccagnino's attorney Michael Connolly says Zaccagnino was never notified of the hearing officer's decision and he'll appeal.

Connolly also questioned Mollis' timing. A state judge ruled Wednesday that Mollis' office improperly involved the court in its investigation into whether 38 Studios consultant Michael Corso violated lobbying laws.

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Judge rebukes Mollis over flawed Corso filing

By Ted Nesi; with reporting by Kelly Sullivan

Published: December 17, 2014, 3:24 pm | Updated: December 18, 2014, 7:46 am

PROVIDENCE, R.I. (WPRI) – A Rhode Island Superior Court judge ruled Wednesday that Secretary of State Ralph Mollis's office abused the judiciary for political reasons during its investigation of alleged 38 Studios lobbying violations by Michael Corso.

In his decision, Superior Court Associate Justice Daniel Procaccini wrote that "the Court offers its strongest possible rebuke to Secretary Mollis for the part he played in the misuse of this Court."

The judge found that Mollis and Welch violated judicial rules "when they filed a Petition that was improper and legally deficient in a poorly orchestrated attempt to involve this Court in their effort to zealously pursue Mr. Corso's possible unauthorized lobbying."

As a punishment, Procaccini ordered Mollis's lawyer, Mark Welch, "to pay the reasonable attorney's fees and costs incurred by Corso with respect to the petition." He said that amount hasn't been determined yet. The judge said he was ordering Welch to pay the penalty instead of Mollis because "ultimate responsibility for filing the Petition rests with [Mollis's] legal counsel."

- **PDF: Read Justice Procaccini's entire decision**
(<https://lntvwpri.files.wordpress.com/2014/12/procaccini-corso-mollis-decision-12-17-2014.pdf>)

In a statement, Mollis said he was "very disappointed in this decision."

"It both mischaracterizes my attorney's actions, and rewards someone who fought to keep 38 Studios lobbying activities secret from the people of Rhode Island," he said. "Our actions were never politically motivated, but were based on sound legal basis. If we wanted to act politically, we would have had one hearing, asked for the maximum fine and benefitted politically. Instead, we acted legally, in the best interests of the people of Rhode Island."

The complex chain of events began in May when a Target 12 investigation caused Mollis to launch an examination (<http://wpri.com/2014/05/07/leaked-docs-detail-38-studios-contracts-with-corso/>) of whether Corso, a Providence attorney, lobbied on behalf of Curt Schilling's video-game company without registering. He eventually determined that Corso had indeed failed to comply with lobbying rules (<http://wpri.com/2014/12/05/mollis-providence-attorney-was-lobbyist-for-38-studios/>).

In his decision, Judge Procaccini noted that "Secretary Mollis did not begin any type of proceeding against Mr. Corso until confronted by a member of the media about his failure to look into whether or not Mr. Corso had properly registered as a lobbyist."

Wednesday's court ruling stemmed from an action Mollis's office took as part of the investigation on July 25, when Welch filed a Superior Court petition to allow the secretary of state's office to conduct depositions of those involved; they backtracked a month later and withdrew the petition under heavy criticism from Corso's attorney.

"This was a calculated and nefarious attempt to subvert and abuse the process of the Superior Court, to interfere with and obstruct the operation of the judicial system, for the purpose of political gain, carried out by a politically experienced public official, who controlled his own prosecutorial apparatus, in league with a member of the bar who had served as his acolyte for years," Corso's attorney wrote in a filing.

Mollis's attorneys denied that the petition was filed in bad faith, saying they were trying to find creative ways to enforce the lobbying regulations.

Mollis was running in the Democratic primary for lieutenant governor at the time, and Judge Procaccini said in Wednesday's ruling he was "convinced" that the petition was filed "to make it appear to the public that Secretary Mollis was aggressively addressing Mr. Corso's involvement in 38 Studios only to abandon and dismiss it as soon as the possibility of sanctions for such an utterly inappropriate filing were suggested."

Mollis finds former 38 Studios board member Zaccagnino engaged in unregistered lobbying

Published: December 19, 2014 01:00 AM

By Jennifer Bogdan Journal State House Bureau jbogdan@providencejournal.com

PROVIDENCE, R.I. — Secretary of State A. Ralph Mollis determined that former 38 Studios board member Thomas Zaccagnino also engaged in unregistered lobbying that brought the failed video-game company to the state a day after he was admonished by a Superior Court judge for abusing the judiciary as he pursued lobbying hearings.

Mollis adopted a decision by hearing officer Louis DeSimone Thursday, closing out two of the three lobbying probes he convened in July. DeSimone's decision was entered Monday. It gives Zaccagnino seven days to file the requested reports or face a \$2,000 fine.



Secretary of State A. Ralph Mollis

Michael F. Connolly, Zaccagnino's Boston-based lawyer, called the result a rushed attempt to "soften" Superior Court Judge Daniel A. Procaccini's decision to sanction Mollis' attorney for involving the court in a politically motivated action.

As of 5 p.m. Thursday, Connolly said he had not received a copy of the Dec. 15 decision or the notice that Mollis adopted it. He found out about the decision when contacted by reporters.

"It's really unusual that the secretary of state received the decision — had enough time to digest it, write a letter and issue a press release — all before the respondent or his counsel ever received a copy," Connolly said.

"It's also curious that the secretary of state's office issues a press release the same day there's widespread media coverage of Judge Procaccini's decision that the secretary of state and his attorney abused the judicial process."

In a written statement, Mollis said, "With this finding, I further reiterate that our actions were never politically motivated. If we wanted to act politically, we would have had one hearing, asked for the maximum fine and benefitted politically."

DeSimone's six-page decision echoed his earlier decision to Michael Corso, as he noted that, after the secretary of state has determined there is "reason to believe" a violation has occurred, the responsibility to prove otherwise moves to the respondent.

"Without some evidence to the contrary, it is concluded that the respondent did conduct lobbying activities and therefore violated the reporting requirements by failing to report when informed of [this] fact by virtue of the notice dated May 21, 2014," DeSimone wrote, referencing a letter this year asking Zaccagnino to submit appropriate forms.

The hearing process began in July. Zaccagnino's hearing was postponed multiple times. The last scheduled hearing in his case was Oct. 23. Connolly said he submitted a final brief on Oct. 30 and has had no contact with Mollis' office since.

Mollis simultaneously convened hearings into potential unregistered lobbying activities of Zaccagnino, Corso and 38 Studios founder and former Red Sox pitcher Curt Schilling. At the time he was running for the Democratic nod for lieutenant governor, which he lost to Lieutenant Governor-elect Daniel McKee.

Procaccini Wednesday issued a decision fining Mollis' attorney, Mark Welch, for abusing the court system in what he said was a political move. Mollis sought to depose individuals through Superior Court action in relation to Corso's lobbying hearing.

Procaccini said he could not sanction Mollis directly because the responsibility for the action rested with his legal counsel. Mollis never attempted to bring the Zaccagnino or Schilling matters before the Superior Court.

"Our work in attempting to investigate those who may have potentially lobbied and provide the people of Rhode Island with this full and complete disclosure has been our mission since beginning this process earlier this year," Mollis said in a statement.

Connolly said he expects an appeal after receiving official notification of the decision from the state.

"It's really troubling when the case is so highly politicized and the secretary of state's attorney was just sanctioned for this political behavior," Connolly said. "They obviously haven't learned."

Meanwhile, the status of Schilling's hearing isn't clear.

On Oct. 31, DeSimone declared Schilling was in "default" after neither he nor his Philadelphia-based attorney Edward Hayes appeared. Schilling announced this summer his cancer is in

remission and returned to ESPN, but Hayes has contended Schilling was not well enough to attend a hearing.

Hayes said he filed a "petition to set aside the default" with DeSimone and the secretary of state's office on Nov. 10. Eight days later, Raina Smith, a spokeswoman for Mollis, said the office had no copy of the petition and planned to check with DeSimone.

Smith did not answer questions Thursday about the status of Schilling's hearing and whether the petition was located.



Mollis: Providence attorney was lobbyist for 38 Studios

By Tim White

Published: December 5, 2014, 1:25 pm | Updated: December 5, 2014, 1:47 pm



Michael Corso, right, the Providence attorney who helped put together the 38 Studios deal, speaks outside his Providence law office in May 2014.

PROVIDENCE, R.I. (WPRI) – More than two months after a hearing officer ruled Providence attorney Michael Corso violated the state's lobbying laws while working for 38 Studios, Secretary of State Ralph Mollis has signed off on the decision and levied a \$2,000 fine.

Mollis, a Democrat who is leaving office next month, had asked the hearing officer hired by the state – Louis DeSimone – if he could issue multiple fines and make Corso pick up the legal tab for the proceedings, but in a press release Mollis said he was prohibited by law from doing so.

"However, once again and regretfully, R.I. General Law imposes a maximum fine of \$2,000 and

does not provide for the imposition of legal costs as a penalty,” Mollis wrote in the release (<https://lintvwpr.files.wordpress.com/2014/12/press-release-mollis-adopts-findings-of-hearing-officer.doc>). “It is obvious that in light of the outcome of this matter, the General Laws pertaining to lobbying enforcement need to be reviewed.”

Mollie said he plans to meet with Secretary of State-elect Nellie Gorbea to explore new legislation. She said during her successful campaign that the state’s lobbying statutes need to be changed.

- READ: Secretary of State’s press release (<https://lintvwpr.files.wordpress.com/2014/12/press-release-mollis-adopts-findings-of-hearing-officer.doc>)

It is unclear how much taxpayers will pay for the hearing. An inquiry to Mollis’ spokesperson was not immediately returned.

In a Sept. 23 decision (<http://wpri.com/2014/09/19/review-corso-should-have-filed-as-38-studios-lobbyist/>), DeSimone wrote that Corso should retroactively file “all necessary lobbying reports for 2010” within seven days or face a \$2,000 fine.

“To suggest that lobbying did not occur in the addition of \$75,000,000.00 would seem unlikely at best,” DeSimone wrote. “Further, the information provided by the Secretary of State meets the limited burden placed upon him by the legislative scheme.”

Mollis launched the probe in the wake of a Target 12 investigation last May that revealed no one from 38 Studios or hired by the company registered (<http://wpri.com/2014/05/05/target-12-investigation-triggers-ri-probe-of-38-studios-lobbying/>) to lobby Rhode Island government when the controversial deal was being put together in 2010.

Target 12 also obtained a contract that showed the company pledged to pay Corso \$300,000 to, among other duties, interact with government officials. It was one of at least four lucrative contracts Corso had with 38 Studios (<http://wpri.com/2014/05/07/leaked-docs-detail-38-studios-contracts-with-corso/>) that stood to earn him millions.

Corso’s attorney Anthony Traini has previously said they will appeal the decision to the Rhode Island Superior Court.

In the meantime, two other lobbying violation reviews remain unfinished: Mollis had hearings scheduled last month to explore whether 38 Studios founder and former Red Sox star Curt Schilling should have registered, as well as former 38 Studios board member Thomas Zaccagnino.

Tim White (twhite@wpri.com (<mailto:twhite@wpri.com>)) is the Target 12 (http://www.wpri.com/subindex/target_12) investigative reporter for WPRI 12 and Fox Providence. Follow him on

Mollis adopts 38 Studios lobbying decision, Corso faces \$2,000 fine

Published: December 05, 2014 01:31 PM

BY JENNIFER BOGDAN

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PROVIDENCE, R.I. – More than two months after a hearing officer decided that attorney Michael Corso engaged in unregistered lobbying relating to 38 Studios, Secretary of State A. Ralph Mollis has adopted the decision.

Corso will now have seven days to file the requested reports, or he will face a \$2,000 fine.

Mollis convened the hearing into the 2010 actions of Corso and others. Louis DeSimone, the hearing officer appointed by Mollis, made his recommendation Sept. 18. Mollis then asked DeSimone to clarify his decision in a letter, but DeSimone did not respond for nearly three months.

A letter accompanying a news release from Mollis' office thanks DeSimone for a Nov. 24 letter clarifying his decision.

Mollis asked for clarification as to the maximum allowable fine. DeSimone responded that \$2,000 is the maximum fine permitted under state law, according to the news release.

"My position would have been to impose legal costs unto Mr. Corso in this matter in that the people of Rhode Island should not have to incur the enforcement costs of 38 Studios. However, once again and regretfully R.I. General Law imposes a maximum fine of \$2,000 and does not provide for the imposition of legal costs as a penalty," Mollis wrote.

"It is obvious that in light of the outcome of this matter, the General Laws pertaining to lobbying enforcement need to be reviewed and strengthened, and I look forward to reviewing these finding with Secretary-elect (Nellie) Gorbea in the hope that we can introduce legislation in the upcoming session to better protect the intent of transparency when it comes to lobbying and provide the ability for more stringent penalties for intentional and/or willful violations."

On Twitter: @JenniferBogdan



Court hearing set over 38 Studios lobbying

Posted: Dec 01, 2014 7:09 AM EST
Updated: Dec 01, 2014 7:09 AM EST

PROVIDENCE, R.I. (AP) - A court hearing is set for arguments to determine if Secretary of State A. Ralph Mollis abused the judiciary system when he involved the Superior Court in his administrative examination of possible unregistered 38 Studios lobbying.

A hearing officer determined in September that attorney Michael Corso engaged in unregistered lobbying in 2010, resulting in a bill that included a \$75 million state-backed loan guarantee to 38 Studios.

The determination was made in a hearing process and an effort by Mollis to involve the Superior Court.

The Providence Journal reports (<http://bit.ly/1nMUCvM>) that Corso's attorneys, Anthony M. Traini and Michael J. Lepizzera Jr., have argued that Mollis tried to improperly use the judicial system.

Mollis' lawyers say he filed a dismissal to speed up the proceedings.

A court hearing is scheduled for oral arguments on Tuesday.

Information from: The Providence Journal, <http://www.providencejournal.com>

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Schilling, three others, reach proposed settlement in federal bankruptcy of 38 Studios

Published: October 29, 2014 05:30 PM

BY PAUL GRIMALDI

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WILMINGTON, Del. — Curt Schilling and three other former executives of 38 Studios have reached a proposed financial settlement in the federal bankruptcy case of the defunct Providence videogame company.

The lawyer handling the 38 Studios' bankruptcy case in Delaware has agreed to accept \$300,000, in total, from the insurance company that covered the quartet of 38 Studios' executives to settle financial claims against them, according to federal court documents.

RELATED

38 Studios bankruptcy lawyer wants Providence lawyer Michael Corso to return \$232,800 collected for services

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Former 38 Studios executives fight to keep documents private

The proposed payment falls far short of millions of dollars Rhode Island taxpayers would pay if the state honors the bonds sold to back the company's short-lived operation in Providence.

The deal, if approved by a U.S. Bankruptcy Court judge in Wilmington, Del., is the latest move by Jeffrey L. Burtch to collect money to pay the bills left behind by 38 Studios.

When 38 Studios filed for federal bankruptcy in Delaware in June 2012, court filings showed that it owed \$150 million and had just \$21 million in assets — including \$12.7 million then held in reserve by Rhode Island in public bond proceeds.

The largest creditor is the State of Rhode Island. Taxpayers were put on the hook for \$115.9 million in principal, interest and fees stemming from a \$75-million loan guarantee for 38 Studios arranged by the R.I. Economic Development Corporation.

A federal judge appointed Burtch, a Delaware lawyer, to wind down the company's operations.

Much of the financial case was later transferred to R.I. Superior Court, where a Providence lawyer sold off the company's possessions, the computers, desks and other equipment employees used as they worked to create "Kingdoms of Amalur: Reckoning" and an online game, code named "Copernicus," which never came to fruition.

Separately, in November 2012, the EDC sued Schilling and 13 other people or entities in Superior Court to recoup money to pay the bonds sold to back that \$75-million loan.

The proposed federal settlement in the bankruptcy case is with Schilling and three others: Jennifer MacLean, the company's chief executive officer; Richard Wester, its chief financial officer; and, Thomas Zaccagnino, a 38 Studios board member.

The payment would come from what is known as a "directors and officers" insurance policy — or "D and O." Starr Indemnity and Liability Co. wrote that \$10-million policy for 38 Studios.

The insurer is one of the defendants in the state lawsuit, as are the four 38 Studios executives.

The executives have been using the policy to pay their legal bills. As bills have been paid, the amounts are deducted from the \$10 million. The settlement proposed by Burtch indirectly affects the lawsuit in state court.

"The policy has been eroded by several million dollars by virtue of the Rhode Island litigation, and would likely be totally exhausted" as that lawsuit proceeds, Burtch wrote in an Oct. 20 court filing.

The proposed settlement "presents the best opportunity for recovery," the filing states.

Burtch has filed about 20 separate claims in 2014 against vendors to "claw back" money that would go to pay the company's creditors.

The intent is to recover what are known as alleged preferential payments made during the 90-day period before 38 Studios

filed for bankruptcy in 2012.

Burtch has sought to get back nearly \$1 million, in all, from firms including PricewaterhouseCoopers LLC, Dell Marketing LP, Oracle America Inc., the Hilton Providence hotel and others.

He reached settlements with a number of those parties earlier in 2014.

The settlement filing followed a request Burtch made earlier this month seeking the return of money 38 Studios paid Providence lawyer Michael Corso.

Burtch said Corso should not have been paid \$232,800 shortly before the company collapsed because 38 Studios “was insolvent on the date that such transfer was made.”

According to an Oct. 3 filing, Corso billed 38 Studios \$232,800 for “professional services rendered July 1, 2011 through December 31, 2011.” He charged \$485 an hour for 480 hours of work.

Burtch wants Corso to return the payment, plus interest and legal fees.

38 Studios paid Corso \$300,000 for a consulting agreement through the Providence lawyer’s Kingston Capital Group entity.

Corso’s Orb Development entity also had a contract with 38 Studios that promised him 10 percent of the company’s \$10-million construction budget for 1 Empire Plaza, the videogame company’s Providence office.

Burtch did not return a message seeking comment. Neither did Sarah Heaton Concannon nor Jeffrey Schreck, two of Schilling’s lawyers.

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I-Team: Confidential email purportedly shows Fung courted 38 Studios

Posted: Oct 29, 2014 5:56 PM EST
Updated: Oct 29, 2014 8:53 PM EST

By Parker Gavigan, NBC 10 I-Team Reporter [CONNECT](#)

CRANSTON, R.I. - Shortly after the September primary, the attack ads came out quickly.

Republican candidate for governor, Allan Fung, aggressively attacked his opponent state General Treasurer Gina Raimondo on the now failed 38 Studios, Curt Schilling's former video game company.

Fung namely attacks Raimondo for supporting the repayment to bond holders, about \$12 million a year for state taxpayers to swallow. However, Fung's ad also hits Raimondo on the overall collapse as well.

"An insider deal. A bankruptcy. Wall Street investors took a risk and went bust," the voiceover in the Fung ad says.

Four and half years ago, 38 Studios had not yet moved from Massachusetts to Rhode Island. The collapse was far off.

A timeline reported by the NBC 10 I-Team showed Schilling was secretly being courted by politicians in late 2009, early 2010 with the prospect of hundreds of good paying jobs.

According to an [email obtained by the NBC 10 I-Team](#) Fung purportedly was also on that list. The email is dated April 2010 from Curt Schilling's publicist Leighton Communications and sent to 38 Studios board member Thomas Zaccagnino.

In it, Katie Leighton writes, "City of Cranston Mayor Alan Fung (sic) - he'd like to meet with Curt to discuss moving his gaming company to Cranston, RI. He would discuss all available incentives."

Fung was not available for a comment, but his spokesman, Robert Coupe, released a statement.

"This accusation is a politically motivated attempt to distort Mayor Fung's record and distract voters from Treasurer Raimondo's plan to use taxpayer dollars to repay Wall Street investors. In March and April of 2010, Mayor Fung was guiding the City of Cranston through the aftermath of historic flooding that devastated the city. Like any mayor in Rhode Island, he would welcome the addition of a new company to bring jobs into the city. However, Mayor Fung has never met Curt Schilling, nor did he meet with any officials or employees of 38 Studios to discuss relocating the company to Cranston or about tax incentives. Mayor Fung has stated consistently that the 38 Studios loan guaranty was a mistake and he remains opposed to using taxpayer dollars to repay the bondholders," said Coupe.

Raimondo's campaign manager, Eric Hyers fired back.

"For weeks Mayor Fung and his national Republican allies have attacked Gina over 38 Studios, a deal she opposed from the beginning. On a debate stage last night, Fung said, 'We all know that 38 Studios was a mistake in the first place.' Now we find out that while Gina was warning us about this risky deal, he was embracing 38 Studios, trying to get them to locate in Cranston, willing to offer 'all available incentives.' This is directly opposite to what he told Rhode Islanders last night. This is outrageous, and is the worst kind of political hypocrisy. These are the insider political games that we'd expect from a corporate lobbyist and career politician," Hyers said.

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By Associated Press

Court documents show the federal bankruptcy trustee has agreed to settle claims against Schilling and three former 38 Studios officials for \$300,000.

The agreement, entered last week, doesn't affect the ongoing lawsuit filed by Rhode Island's economic development agency, which also names Schilling. The agency claims its board was duped into approving a \$75 million loan guarantee for Schilling's video game company.

The bankruptcy agreement says the parties deny wrongdoing and entered into it to avoid further litigation.

The settlement money would come from an insurance policy also being used to pay legal bills in the Rhode Island lawsuit.

The Providence Journal first reported the agreement.

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Trustee seeks \$232,800 in 38 Studios lawyer's pay

Posted: Oct 17, 2014 7:02 AM EST
Updated: Oct 17, 2014 7:02 AM EST

PROVIDENCE, R.I. (AP) - The lawyer handling the 38 Studios' bankruptcy is trying to recover payments to a lawyer related to the failed Providence video-game company.

Jeffrey Burch, the trustee in the federal bankruptcy of the 38 Studios' legal case, wants Providence lawyer Michael Corso to return some of the money that 38 Studios paid him.

The complaint Burch filed in U.S. Bankruptcy Court says Corso should not have been paid \$232,800 shortly before the company collapsed because 38 Studios was insolvent when the money was paid.

Corso charged \$485 an hour for 480 hours of work.

WPRI-TV reports that Corso's lawyer says he does not believe he must repay and plans to fight the move in court.

The company founded by ex-Red Sox pitcher Curt Schilling filed for federal bankruptcy in June 2012.

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Filing argues Corso owes \$232,800 to 38 Studios

By Tim White

Published: October 15, 2014, 5:55 pm | Updated: October 15, 2014, 9:14 pm

PROVIDENCE, R.I. (WPRI) – The trustee handling 38 Studios' bankruptcy case is demanding that Providence attorney Michael Corso return a six-figure payment he received from the company, arguing 38 Studios overpaid him while it was in financial free fall, Target 12 has learned.

The complaint filed Oct. 3 at U.S. Bankruptcy Court in Delaware by trustee Jeffrey Burtch said Corso should not have been paid a lump sum of \$232,800 shortly before the company collapsed because 38 Studios "was insolvent on the date that such transfer was made."

Burtch also claimed Corso did not provide a "reasonably equivalent value of services" to warrant receiving so much money from 38 Studios.

According to an undated invoice attached to the filing, Corso billed 38 Studios \$232,800 for "professional services rendered July 1, 2011 through December 31, 2011," charging \$485 an

hour for 480 hours of work.

"The invoice does not provide any detail regarding the amount of time allegedly expended on any of the tasks enumerated in the invoice," Burtch wrote in the filing. "Instead, the invoice sets forth a large catalogue of vague task descriptions and provides a single round number of 480 hours for the total time allegedly expended."

38 Studios wired Corso the money on March 30, 2012, then filed for bankruptcy 69 days later (<http://blogs.wpri.com/2012/06/07/us-and-ri-law-enforcement-open-38-studios-investigation/>) on June 7, 2012. The closing left an estimated 379 employees out of work (<http://blogs.wpri.com/2012/05/24/38-studios-lays-off-all-its-employees-edc-board-in-disarray/>) and Rhode Island taxpayers responsible for a \$75 million state-backed loan (<http://wpri.com/2014/05/09/study-38-studios-default-would-give-ri-junk-rating/>) used to lure the company from Massachusetts two years earlier.

Burtch's court filing asks a judge to order Corso to repay the lump sum, plus interest and legal fees. Federal bankruptcy law allows a trustee to try and recoup any payments made within 90 days of a bankruptcy filing.

Reached by phone, Corso's attorney Michael Lepizzera told Target 12 that "at this point we don't think we have to pay anything back to the trustee."

"We have defenses to the complaint which will be asserted in court," Lepizzera said.

According to the invoice – which includes what appears to be an orange Post-It note with handwritten calculations attached to it – Corso reported performing several duties for 38 Studios, including looking into tax incentives for a potential new satellite office in Colorado, as well as meeting with Wells Fargo, one of the financial institutions that is now being sued by the state for its role in the controversial deal (<http://wpri.com/2014/10/10/ri-high-court-denies-38-studios-appeal/>).

Corso is not one of the defendants in that lawsuit.

The invoice also said among Corso's tasks was to "review and negotiation [sic] with [the R.I. Economic Development Corporation] for a waiver of the IBM physical report."

The state's 2010 deal with 38 Studios required a third-party monitor to keep tabs on the company's progress, and IBM was hired to do the job.

In August 2011, however, 38 Studios successfully petitioned the EDC to switch from written quarterly reports to verbal reports from IBM (<http://blogs.wpri.com/2012/05/29/did-38-studios-have-a-distribution-deal-for-copernicus-or-not/>). Meeting minutes show 38 Studios was rarely, if ever, talked about during EDC board meetings from before it became insolvent in the spring of

2012.

Corso said he also tried to secure more money from the controversial \$125-million loan-guarantee program authorized by the General Assembly in 2010 that backed 38 Studio's original \$75-million loan, as well as from the older R.I. Industrial Recreational Building Authority, which also provides state backing for companies.

In addition, the invoice said Corso reviewed open records requests for 38 Studios.

As Target 12 previously reported, Corso had multiple contracts and service agreements with 38 Studios (<http://wpri.com/2014/05/07/leaked-docs-detail-38-studios-contracts-with-corso/>), including a \$300,000 consulting agreement through his company Kingston Capital Group that tasked him with handling interactions "with various public officials," (<http://wpri.com/2014/05/05/target-12-investigation-triggers-ri-probe-of-38-studios-lobbying/>) among other duties.

The document – uncovered by Target 12 – triggered an investigation by Secretary of State Ralph Mollis's office (<http://wpri.com/2014/05/06/ri-state-police-join-new-probe-of-38-studios-lobbying/>) into whether Corso violated Rhode Island's lobbying rules. A hearing officer ruled against Corso (<http://wpri.com/2014/09/19/review-corso-should-have-filed-as-38-studios-lobbyist/>) last month; he faces a potential fine if Mollis signs off on the hearing officer's findings, though his lawyers have said they will fight the decision in court.

Corso's company Orb Development also signed a contract with 38 Studios in 2010 that promised him 10% of the company's construction budget for work done its office building at 1 Empire Plaza in downtown Providence. The contract said Corso's company would be paid no less than \$500,000 for the work.

In December 2010 – the month after the \$75-million 38 Studios deal was finalized – Corso was again tapped by 38 Studios, this time to identify possible economic incentives available to the company "in multiple jurisdictions." The agreement says 38 Studios agreed to pay him \$485 an hour. This appears to be the contract referenced in the bankruptcy trustee's recent filing.

The following month, Corso's Kingston Capital Group was again retained by 38 Studios under a \$300,000 "consulting services agreement" for "public and government relations services" as well as a slew of communications-related tasks. The Rhode Island State Police are now assisting the secretary of state's office with an investigation into potential lobbying violations for this contract.

Corso's tax-credit company also reached a deal with 38 Studios in January 2012, less than five months before the company filed for bankruptcy.

It is unclear how much Corso was paid by 38 Studios under all the various consulting contracts beyond the \$232,800 payment referenced in the latest bankruptcy filing. Lepizzera declined to comment on how much Corso received.

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Curt Schilling's wife wants return of family computer auctioned after 38 Studios bankruptcy

Published: September 30, 2014 11:20 PM

BY PAUL GRIMALDI

Journal Staff Writer

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Shonda Schilling wants her computer back.

Why that would be of interest to the average American is another example of what happens when the celebrity bubble bursts. Things get messy.

Shonda Schilling got pulled into the public eye by her husband, Curt Schilling, the strong-armed fireballer who pitched his way into Red Sox lore and probably baseball's Hall of Fame when he won a playoff game and a World Series game on an injured ankle.

A sock Schilling wore during that 2004 World Series game, stained with his blood, made it to Cooperstown. Schilling had loaned the sock to the Hall of Fame. He took it back and sold it to help pay the bills racked up after his Providence video-game company 38 Studios went bankrupt.

A second-rate personal computer also made it to the auction block — whether on purpose or by accident is in dispute.

"It depends on who you believe," said Edward J. Hayes, the Philadelphia lawyer who represents Shonda Schilling.

ConsignWorks, a Dudley, Mass., company, ran the sale held Oct. 12, 2013, at the mansion the Schillings once occupied in Medfield, Mass.

The 9,000-square-foot house was as much a draw as the furniture, housewares and bric-a-brac that one might find at any suburban yard sale.

"I wanted to see how the other half lives," said John Sullivan, of Natick, Mass., who bought the personal computer.

ConsignWorks trumpeted the sale.

"Yes, we are pleased to announce the estate sale of the residence of Mr. Curt Schilling of the Boston Red Sox. No, the bloody sock is not for sale, but exquisite furniture, decor and other home furnishings will all be for sale. What a wonderful opportunity, and we are truly pleased to bring you this exceptional estate sale that will knock your Sox off!"

There were chairs shaped like baseball gloves; an eight-piece drum set; a Hummer golf cart; holiday decorations; artificial plants; candlesticks, glassware and cutlery. Other items included a 38 Studios drafting table; a baseball bobblehead collection; DVDs including "The West Wing"; video games including "World of Warcraft"; and copies of Shonda's book, "The Best Kind of Different," about their son with Asperger syndrome.

At the time, Shonda said on Facebook that they were downsizing and her children had outgrown many of the items. (The Schillings found a taker for the mansion this spring, selling it for \$2.5 million — well off the \$4.5 million they paid for it.)

Sullivan didn't buy any of that stuff. Instead, he paid \$100 for a computer he spotted — a bright green one made by Clevo, a Taiwanese firm, according to Massachusetts court records.

"It caught my eye, so I bought it," Sullivan said. "I wish I hadn't."

The computer didn't work, he said. The motherboard — a printed circuit board containing a computer's principal components — was damaged. He fixed it.

Alarm bells went off with someone in the Schilling camp when Sullivan asked for a password to access the computer.

Hayes, the Philadelphia lawyer working for Shonda Schilling, contacted Sullivan "to discuss the return of the computer," according to an Oct. 24 letter obtained by The Providence Journal. The letter indicates the Schillings were unaware the computer had been sold.

"This computer, which includes personal information regarding Mrs. Schilling and her family, was not a part of the sale and we do not understand how it came into your possession," the letter states.

Somewhere along the line, things got testy.

"In her attempt to get it back, she communicated to me a threat," Sullivan asserted in the court filing.

Sullivan hired a lawyer.

The Schillings just wanted the computer.

"We required that it be returned," said Hayes, said in a phone interview with The Journal.

On Friday, ConsignWorks paid Sullivan \$1,000 to buy back the computer. The auction house has not yet returned it to the Schillings.

Someone claiming to be a Rhode Island State Police trooper contacted him this week about the computer, Sullivan said. The state police have not confirmed that inquiry.

Hayes declined to say what was on the computer that had Shonda Schilling so concerned.

"Mrs. Schilling had nothing to do with 38 Studios," Hayes said.

Like the taxpayers footing the \$75-million loan guaranty that went to 38 Studios, Sullivan is out some money.

The Natick man said he racked up about \$1,500 in legal bills because of his purchase.

"I'm still down four [hundred] or five hundred dollars on the deal," he said.

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Corso pursues sanctions against Secretary of State Mollis in 38 Studios case

Published: September 23, 2014 01:00 AM

BY JENNIFER BOGDAN

Journal State House Bureau

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PROVIDENCE, R.I. — The battle over whether attorney Michael Corso engaged in unregistered lobbying that led to the state's failed 38 Studios investment is far from over.

Last week, hearing officer Louis DeSimone issued a decision giving Corso seven days to file lobbyist disclosure reports or pay a \$2,000 fine. Not only will Corso appeal the decision but he is continuing to pursue sanctions against Secretary of State A. Ralph Mollis for a short-lived attempt to involve the Superior Court in the administrative proceedings, Corso's lawyer Michael Lepizzera said.



Michael Corso

On Monday, Lepizzera said the court has given Mollis until Oct. 10 to submit written arguments to Superior Court Judge Daniel A. Procaccini, who will decide whether sanctions are warranted. Corso will have until Oct. 31 to respond.

In a heated court exchange earlier this month, Procaccini said he was "concerned" and "bothered" that the matter was ever brought to the court. After convening the administrative hearings where Corso opted not to appear, Mollis filed a petition in Superior Court seeking to take depositions from several parties linked to the failed video-game company. The depositions would have presumably been used to further the office's case in the administrative hearing.

However, before any action was taken on that case, Mollis asked to dismiss the matter. Corso's attorneys have argued that Mollis abused the judiciary system and should face consequences.

That matter is separate from the decision issued by DeSimone last week, which noted that "none of the evidence or information submitted by the secretary of state has been countered or controverted by the respondent."

Mollis, who was defeated in the primary election for lieutenant governor, has not yet adopted the decision, saying he agrees with the conclusion but wants to know why the maximum imposed fine was set at \$2,000. On Monday, Raina Smith, a spokeswoman for the secretary of state, said the office has not yet received the clarification.

Initial reports suggested that Corso would have seven days from the date DeSimone issued his decision to file the reports. However, Smith said the seven days won't begin after Mollis enters a formal decision.

Lepizzera said when the clock starts ticking is inconsequential, as Corso won't be filing any of the requested reports and will instead appeal to the Superior Court.

"Regardless of when the seven days begins to tick, the public should not expect any lobbying reports to be filed since none are required under the law," Lepizzera said. "The hearing officer's decision is arbitrary and capricious, ignores the utter lack of evidence submitted by the secretary of state in the administrative proceeding and otherwise fails to follow the applicable law."

Mollis has also convened hearings regarding allegations of unregistered lobbying by former 38 Studios executive Thomas Zaccagnino and ex-Red Sox pitcher Curt Schilling, who founded the failed company.

Zaccagnino's hearing has been postponed until Oct. 1. Schilling's hearing has been postponed indefinitely. Schilling announced in late June that his cancer was in remission, but in July his lawyer said he could not attend a hearing in Providence because of health concerns and he was asked to provide written documentation. A new hearing date for Schilling has not been set.

"We are still awaiting a status from his doctors," Smith said.

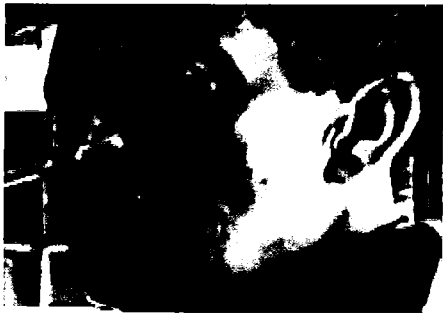
Providence construction firm repays loan involving 38 Studios project

Published: September 24, 2014 01:00 AM

By W. Zachary Malinowski Journal Staff Writer bmalinow@providencejournal.com

PROVIDENCE, R.I. — Steven M. Nappa, owner of Nappa Construction Management LLC, has settled his debt with the city and paid back more than \$180,000 he owed on a 2009 Providence Economic Development Partnership loan.

Nappa was the subject of a front-page story in The Providence Journal in June that described state troopers stopping by his office at 469 Washington St. with a subpoena as they sought all the records from a \$10-million project to gut and refurbish 38 Studios, home of ex-Red Sox pitcher Curt Schilling's failed video-game venture.



Steven M. Nappa

The building previously had housed Blue Cross & Blue Shield of Rhode Island.

A Journal investigation discovered that Nappa still owed \$179,823 in principal on a \$250,000 loan his construction firm had received from the PEDP in February 2009. Nappa vowed that he would settle the debt before July 1.

City records show that he was true to his word. On June 20, Nappa paid the city \$181,250.15 in principal and interest on the loan that he got from the administration of then-Mayor David N. Cicilline, now a U.S. representative.

Nappa's firm acted as construction manager at 38 Studios, he said, and he parceled out most of the work to 15 to 20 subcontractors. His firm, he said, collected about \$500,000, or 5 percent, of the \$10-million project, one of the largest jobs he had ever landed.

Ann Gooding, acting deputy director of communications for Mayor Angel Taveras, said that Nappa's repayment of the loan is just a small step toward settling past debts. There are 132 remaining PEDP loans, some dating back decades, and the borrowers owe the city nearly \$15.5 million, she said.

City officials have been trying to get those who owe substantial amounts of money to pay the city back.



Violation found in 38 Studios lobbying case

Posted: Sep 19, 2014 1:24 PM EST

Updated: Sep 19, 2014 2:01 PM EST

PROVIDENCE, R.I. (AP) - A hearing officer for the secretary of state's office has found that a consultant for Curt Schilling's 38 Studios violated lobbying laws by failing to register as a lobbyist for the failed video game company before it received a \$75 million state loan guarantee.

The decision released Friday recommends that Michael Corso be required to file lobbying reports for 2010 within seven days or pay a \$2,000 fine. It must be adopted by Secretary of State Ralph Mollis. The office enforces lobbying laws.

Corso's lawyers call the proceeding a sham and say the conclusions are made without evidence and have no legal support. They say they'll appeal to the superior court if Mollis adopts the finding.

Mollis says he will seek to clarify whether additional fines can be levied.

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38 Studios lobby hearing decision expected Wednesday

By Tim White

Published: September 16, 2014, 2:02 pm | Updated: September 16, 2014, 7:55 pm

PROVIDENCE, R.I. (WPRI) – A decision in the 38 Studios lobby violation hearings is expected to be released Wednesday, the Target 12 Investigators have learned.

Louis DeSimone – the lawyer hired by Secretary of State Ralph Mollis to act as an independent hearing officer – said by phone he plans to issue the decision by the end of the day on Wednesday.

DeSimone had previously pledged to release his decision on Sept. 10 but he said he was in court all last week, which created the delay.

DeSimone declined to provide details about his decision.

Mollis launched the lobbying probe in the wake of a Target 12 investigation (<http://wpri.com>)

[/2014/05/05/target-12-investigation-triggers-ri-probe-of-38-studios-lobbying/](#)) that revealed no one from 38 Studios or hired by the company registered to lobby Rhode Island government when the controversial deal was being put together in 2010.

Target 12 also obtained a contract that showed the company pledged to pay Corso \$300,000 to among several duties, interact with government officials.

Corso did not attend any of the hearings.

Anyone found to have violated the rules can be fined \$2,000 for legislative lobbying and \$1,000 for executive-branch lobbying.

Tim White (twhite@wpri.com (<mailto:twhite@wpri.com>)) is the **Target 12** (http://www.wpri.com/subindex/target_12) investigative reporter for WPRI 12 and Fox Providence. Follow him on Twitter: [@white_tim](http://twitter.com/#!/white_tim) (http://twitter.com/#!/white_tim)

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Huaru Agin • 12 hours ago

I hope they throw the book at A-Ralph and lock him up for twenty years!!!



jeff crawford •

I hope this is not going to be a big white wash....these guys need to found guilty and fined.

wpri.com

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No decision yet in 38 Studios lobbying probe

By Tim White

Published: September 10, 2014, 5:40 pm | Updated: September 10, 2014, 9:24 pm

PROVIDENCE, R.I. (WPRI) – No decision yet in a state probe into possible lobbying violations in the controversial 38 Studios deal.

Providence attorney Michael Corso has been the subject of several hearings called by Rhode Island Secretary of State Ralph Mollis examining whether Corso failed to register as a lobbyist for Curt Schilling's video game company.

The hearing officer hired by Mollis' office – Louis DeSimone – said he would issue a decision by Sept. 10.

Mollis spokesperson Raina Smith said they have not received the decision as of Wednesday afternoon.

Corso's attorney Anthony Traini also told Target 12 he has not yet been notified of any decision. He said he was told he would be emailed directly by DeSimone when it came down.

Mollis launched the probe in the wake of a Target 12 investigation (<http://wpri.com/2014/05/05/target-12-investigation-triggers-ri-probe-of-38-studios-lobbying/>) that revealed no one from 38 Studios or hired by the company registered to lobby Rhode Island government when the controversial deal was being put together in 2010.

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Tim White (twhite@wpri.com (<mailto:twhite@wpri.com>)) is the Target 12 (http://www.wpri.com/subindex/target_12) investigative reporter for WPRI 12 and Fox Providence. Follow him on Twitter: [@white_tim](http://twitter.com/#!/white_tim) (http://twitter.com/#!/white_tim)

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Corso 38 Studios lobbying hearing ends, with decision to come Sept. 10

Published: August 27, 2014 01:00 AM

By Jennifer Bogdan Journal State House Bureau jbogdan@providencejournal.com

PROVIDENCE — A hearing process intended to determine whether attorney Michael Corso engaged in unregistered lobbying in 2010 for the failed 38 Studios venture concluded unexpectedly Tuesday as hearing officer Louis DeSimone promised a decision by Sept. 10.

That means the decision will likely come one day after primary elections in the hearing convened by Secretary of State A. Ralph Mollis.

Mollis, who is running in a primary for lieutenant governor, has said the hearing never had anything to do with his campaign. Anthony Traini, one of Corso's attorneys, however, contends that the hearing process has been "a sham" intended to keep the issue in public view until the election.

Last month, Mollis' office successfully delayed the administrative proceedings after filing a petition in state Superior Court. At the time, the office sought the court's blessing to take depositions from Corso, several individuals involved in 38 Studios and "the person(s) most knowledgeable at The Providence Journal Company," before returning to the administrative proceeding. Mollis has said the action was necessary because Corso has not appeared at any of the hearings.

On Tuesday, Mark Welch, an attorney for Mollis' office, said the office has now abandoned that course and instead called for a return to the administrative proceeding.

Asked why that decision was made, Mollis said in an email that he didn't want to expend any more taxpayer money on the hearings. Mollis is also conducting hearings into alleged lobbying by ex-Red Sox pitcher Curt Schilling and 38 Studios board member Thomas Zaccagnino.

"We are not going to waste any more taxpayer resources. These three individuals, at some point in time, obviously lobbied on behalf of 38 Studios," Mollis said. "Mr. Corso has chosen not to appear at our hearings, so we are moving forward and seeking a maximum fine for not filing lobbying reports."

Traini offered his own explanation. He objected to the Superior Court action, arguing that Mollis began the administrative hearing without necessary evidence to support the charges and was using the Superior Court to delay the process.

The court set a deadline of Aug. 25 for Mollis to respond to the objection. Mollis then withdrew the petition.

"The whole thing was a scam right from the beginning. When the judge told him I want your response by Aug. 25, he withdrew the petition because he'd already gotten what he wanted," Traini said. "Now he wants to walk away from the Superior Court case because he used it for what he wanted to use it for."

Corso was responsible for arranging a meeting in March 2010 with then-House Speaker Gordon D. Fox and Schilling regarding 38 Studios. Schilling's company later secured a \$75-million state-backed loan guaranty but declared bankruptcy in June 2012, leaving taxpayers responsible for upward of \$89 million.

Tuesday's administrative proceeding included no new evidence and concluded without any testimony. The parties continued to argue over whether a Nov. 7, 2010, Providence Journal article detailing how Schilling garnered support for 38 Studios could be admitted into evidence. Also at issue was a consulting agreement dated Jan. 1, 2011, between 38 Studios and Corso.

Traini objected to both. In the case of the contract, he argued that it couldn't be authenticated and was signed after the alleged lobbying would have taken place. In the case of the newspaper article, he argued that it was the "rankest and lowest form of hearsay," as it includes opinions from multiple sources.

DeSimone agreed to allow both pieces into evidence and said he would give them the appropriate weight.

Meanwhile, Traini said he is calling on the Superior Court to impose sanctions against Mollis' office for bringing what he calls a frivolous action. He has requested that the court award costs and bring sanctions against Mollis in response to the filing.

"You don't get to just walk away," Traini said. "You might get to play those games here, but Superior Court is the big leagues."

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R.I. Governor Chafee to be deposed Thursday in 38 Studios lawsuit

Published: August 27, 2014 01:00 AM

BY KATE BRAMSON

Journal Staff Writer

kbramson@providencejournal.com

PROVIDENCE — Governor Chafee is scheduled to be deposed Thursday in the state's 38 Studios-related lawsuit, as lawyers work to complete nearly all depositions by month's end, said Max Wistow, the lead lawyer in the state's sweeping lawsuit against those people and entities who crafted the \$75-million loan guarantee to Curt Schilling's now-defunct video-game company.

Also set to be deposed this week is David M. Gilden, a managing partner with the law firm Partridge Snow & Hahn LLP, Wistow said Tuesday. Gilden was the legal counsel for the Rhode Island Economic Development Corporation (since renamed the Rhode Island Commerce Corporation) from early 2011, soon after Chafee took office, until June 2012.



Governor Chafee

Neither Chafee nor Gilden was involved with putting together the loan deal in 2010. Under that deal, the state sold \$75 million in bonds to provide about \$50 million to Schilling's 38 Studios. The legal counsel for the EDC at that time — Robert I. Stolzman of Adler Pollock & Sheehan — and his firm are among the 14 defendants the state sued.

As a candidate for governor, Chafee spoke out against the loan deal. The state's former governor, Donald L. Carcieri, was at the helm of the EDC at the time the agency granted the loan deal. He already has been deposed.

Earlier this month, Superior Court Judge Michael A. Silverstein granted an extension to the Aug. 15 deadline to have all the depositions in the case completed. Although the defense sought another month, the judge extended the period to Aug. 31.

An exception to that deadline has been made for state General Treasurer Gina Raimondo, who was not in office when the loan deal was crafted and is now running for governor. Her deposition has been delayed until Sept. 11, two days after the gubernatorial primary, according to the court.

In all, Wistow said at least 60 people will have been deposed, some over several days. Although The Providence Journal and the House and Senate Oversight committees have requested transcripts of those depositions, the judge has not ruled on whether to make those depositions public.

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Corso lobbying hearing concludes; decision expected by Sept. 10

Published: August 26, 2014 11:40 AM

BY JENNIFER BOGDAN

jbogdan@providencejournal.com

PROVIDENCE, R.I. — A hearing process intended to determine whether attorney Michael Corso engaged in unregistered lobbying for the failed 38 Studios venture concluded unexpectedly Tuesday as hearing officer Louis DeSimone promised a decision by Sept. 10.

That means the decision likely will come one day after primary elections in the hearing convened by Secretary of State A. Ralph Mollis.

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38 Studios vets create board game based on 'Alien'



MICHAEL CORSO

Mollis, who is running in a contested primary for lieutenant governor, has said the hearing never had anything to do with his campaign. Anthony Traini, one of Corso's attorneys, however contends that the hearing process has been "a sham" intended to keep the issue in public view until the election.

In July, Mollis' office delayed the administrative proceedings after filing a petition in state Superior Court. At the time, the office sought the court's blessing to take depositions from Corso, several individuals involved in 38 Studios and "the person(s) most knowledgeable at The Providence Journal Company." Mollis has said the action was necessary because Corso has not appeared at any of the hearings.

On Tuesday, Mark Welch, an attorney for Mollis' office, said the office has now abandoned that course and instead called for a return to the administrative proceeding.

Asked why the decision was made, Mollis said he decided he didn't want to expend any more taxpayer money on the situation.

We are not going to waste any more taxpayer resources. These three individuals, at some point in time, obviously lobbied on behalf of 38 studios," Mollis said in an email referring to Corso, Curt Schilling and his board member Thomas Zaccagnino. "Mr. Corso has chosen not to appear at our hearings, so we are moving forward and seeking a maximum fine for not filing lobbying reports."

Traini offered his own explanation. He objected to the Superior Court action, arguing that it was a tactic being used to delay the administrative proceeding. The court set a deadline of Aug. 25 for Mollis to respond to the objection. Mollis then withdrew the petition.

"The whole thing was a scam right from the beginning. When the judge told him I want your response by Aug. 25, he withdrew the petition because he'd already gotten what he wanted," Traini said. "Now he wants to walk away from the Superior Court case because he used it for what he wanted to use it for."

On Twitter: @JenniferBogdan

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Mollis to seek max fine against Corso in 38 Studios probe

By Bill Tomison

Published: August 26, 2014, 1:38 pm | Updated: August 26, 2014, 10:03 pm

PROVIDENCE, R.I. (WPRI) — Following another administrative hearing concerning possible lobbying violations by Providence attorney Michael Corso, the Secretary of State's office announced it was ending further hearings.

"We are not going to waste any more taxpayer resources," Secretary of State Ralph Mollis said in a statement. "Mr. Corso has chosen not to appear at our hearings, so we are moving forward and seeking a maximum fine for not filing lobbying reports."

Corso was once again not present for the hearing. Since it is not a criminal hearing, hearing officer Louis DeSimone told Target 12 earlier this summer (<http://wpri.com/2014/07/01/38-studios-lobby-violation-hearings-begin-delay-requested/>) Corso is not required to be there.

Corso is being investigated for possibly violating Rhode Island's lobbying laws while he was

involved with 38 Studios, Curt Schilling's failed video game company. The state is trying to determine whether Corso should have registered as a lobbyist.

Tuesday's hearing continued legal wrangling over exhibits to be presented.

"This is the rankest and lowest form of hearsay imaginable," said Anthony Traini, Corso's attorney.

In the end, DeSimone accepted all of the evidence submitted by the Secretary of State's Office, including a contract, obtained by Target 12 from a 38 Studios insider, in which the video game company pledged to pay Corso \$300,000 for interacting with government officials.

Secretary of State A. Ralph Mollis launched the probe after a Target 12 investigation that revealed (<http://wpri.com/2014/05/05/target-12-investigation-triggers-ri-probe-of-38-studios-lobbying/>) no one from 38 Studios or hired by the company ever registered to lobby Rhode Island government when the controversial deal was being put together in 2010.

Anyone found to have violated lobbying rules can be fined \$2,000 for legislative lobbying and \$1,000 for executive-branch lobbying.

Rhode Island taxpayers remain on the hook for \$90 million from the state-backed loan — which 38 Studios never paid back after going bankrupt.

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RI gets first payment from 38 Studios settlement

By Associated Press Published: August 28, 2014, 1:36 pm



PROVIDENCE, R.I. (AP) — Rhode Island officials say the state has received its first payment from a lawsuit settlement involving ex-Red Sox pitcher Curt Schilling's failed video game company.

The Providence Journal reports that the state received a \$4.37 million check earlier this week from the insurance company representing two of the 14 defendants.

Officials say the state will net about \$3.2 million, and the state can use the money to help repay its debt related to Schilling's company, 38 Studios.

The state approved a \$75 million loan guarantee in 2010 for 38 Studios to move from Massachusetts to Rhode Island, but the company went bankrupt two years later and left the state and taxpayers responsible for some \$89 million related to the deal.

The state's lawsuit remains pending against other defendants.



Chafee gives 38 Studios testimony behind closed doors

By Shaun Towne; Reporting by Steve Nielsen

Published: August 28, 2014, 5:09 pm | Updated: August 28, 2014, 8:18 pm

PROVIDENCE, R.I. (WPRI) — Gov. Lincoln Chafee was one of the more outspoken opponents of the controversial 38 Studios deal while he was running for the state's top job back in 2010, and on Thursday he was questioned as part of a lawsuit against the failed video game company.

The state is suing the architects of the \$75 million loan guarantee to lure Curt Schilling's company to Rhode Island. Chafee is one of about 60 people being deposed by defense attorneys before the case moves forward.

Two of the 14 defendants, lawyer Antonio Afonso Jr. and his firm, Moses Afonso Ryan, have already settled with Rhode Island (<http://wpri.com/2014/07/22/judge-approves-4-4-million-38-studios-settlement/>), and on Thursday the state received a \$4.4 million check (<http://wpri.com/2014/08/28/ri-gets-first-payment-from-38-studios-settlement/>) from the insurance company representing them.

With interest and excluding money kept in reserve from the original loan, the company's demise left taxpayers on the hook for approximately \$90 million, which is being repaid in increments of approximately \$12 million a year through 2020.

• **In-Depth Coverage:** [38 Studios Deal \(http://wpri.com/tag/38-studios/\)](http://wpri.com/tag/38-studios/)

Chafee wasn't in office when the deal was created, but he was as the company crumbled.

"I'm just giving my testimony. The defendants have asked that I do that and that's why I'm here as requested," he said.

It's unknown what Chafee was asked and how he responded since the meeting was held behind closed doors. None of the depositions in the case have been released, and the judge has not yet ruled if they will.

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R.I. lawmakers served with subpoenas in 38 Studios case

Published: August 04, 2014 11:20 PM

By Jennifer Bogdan

Journal State House Bureau

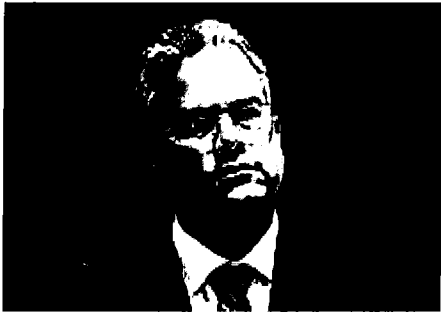
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PROVIDENCE — At least two state representatives have been served with subpoenas to testify in ongoing 38 Studios litigation, and more subpoenas are likely to come, House Speaker Nicholas Mattiello has told House members.

Mattiello, who has not personally received a subpoena, warned fellow lawmakers in an email Saturday that at least one representative had been contacted. Since the email was sent, at least one more representative served with a subpoena has come forward, House spokesman Larry Berman said Monday. He declined to identify the lawmakers.

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- [Roger Williams University weighs purchase of former 38 Studios site](#)



R.I. House Speaker Nicholas A. Mattiello

Photo: Andrew Dickerman / The Providence Journal

In the email sent Saturday afternoon, House members were instructed to contact Mattiello's office to discuss legal representation if they receive subpoenas.

"I anticipate that other members of the General Assembly who voted on the 2010 Job Creation Guarantee Program legislation may also be subpoenaed," Mattiello wrote. "We are formulating a plan to provide legal counsel for all members who may be asked to testify."

On March 21, the state attorney general's office hired outside lawyers Marc DeSisto and Lauren Jones to represent any members of the House and Senate, respectively, who may be subpoenaed by the defendants in the state's case against major players in the failure of the 38 Studios video-game company. The attorneys will be paid \$150 an hour, with the money coming from the attorney general's budget.

The Chafee administration sued former Red Sox pitcher Curt Schilling and other principals in the \$75-million loan deal with the company. The state is attempting to recoup its losses through the litigation filed in November 2012. After securing the loan, 38 Studios went bankrupt, leaving taxpayers to foot the \$112.6-million bill to repay the principal and interest on the bonds issued.

The 2015 state budget includes the next \$12.3-million payment due to the investors who bought the \$75 million in state-backed bonds.

The latest subpoenas are coming from attorneys representing Robert Stolzman and Adler, Pollock & Sheehan P.C., two of the defendants in the state's case. Stolzman, of Adler, Pollock & Sheehan, was the EDC's former outside lawyer.

Senate spokesman Greg Pare said he is not aware of any senators who have received subpoenas. On March 5, Senate President M. Teresa Paiva Weed received a subpoena from Wells Fargo, the bond placement agent in the loan deal, to produce various documents related to 38 Studios. Pare said Paiva Weed has since finished responding to that request.

In the fallout following the state's failed investment, many lawmakers have said they were not aware that so much of the \$125 million they approved in the 2010 job creation program would go to Schilling's start-up company.

In response to questions about the subpoenas, Mattiello said legislators are entitled to legal representation by the state.

"In many cases, the members are unfamiliar with this legal process," Mattiello said. "It is appropriate for them to have legal representation provided by the attorney general's office to help guide them and feel more at ease during the unfamiliar deposition process."

Rhode Island judge orders Gina Raimondo to be deposed in 38 Studios case

Published: August 01, 2014 11:20 PM

By W. Zachary Malinowski

Journal Staff Writer

bmalinow@providencejournal.com

PROVIDENCE, R.I. — General Treasurer Gina M. Raimondo was ordered on Friday to allow defense lawyers to depose her on what she knew about 38 Studios, the failed video-gaming firm.

Superior Court Judge Michael A. Silverstein spent about 30 minutes weighing arguments from Raymond A. Marcaccio, Raimondo's lawyer, who sought to quash the subpoena, and from defense lawyers David Martland and Michael Sarli.

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Gina Raimondo



Donald Carcieri

It was also disclosed at the hearing that former Gov. Donald L. Carcieri, a Republican who played a role in securing the \$75-million loan for 38 Studios, spent Thursday being deposed by lawyers in the case.

Gerald Petros, who is defending First Southwest, a financial advising firm in the civil case brought by the Rhode Island Economic Development Corporation, said the session ended at 4:30 p.m. because Carcieri, 71, was "tired."

Max Wistow, a lawyer representing the former Economic Development Corporation, was critical of the way defense attorneys questioned Carcieri during the first half of the deposition.

"The whole morning was a complete waste of time," he said.

(An earlier version of this story characterized Wistow as critical of Carcieri, who he represents in this case. See related [letter](#).)

In November 2012, the EDC sued 14 people or entities that helped engineer a \$75-million loan guaranty for the video-gaming company. Two of the defendants, Moses Afonso Ryan Ltd., and Antonio Afonso, last month agreed to pay the agency \$4.4 million to settle their role in the lawsuit.

Marcaccio said that it was "inappropriate" to subpoena Raimondo, a Democratic candidate for governor, because she was a candidate, not general treasurer in 2010, when the EDC, now named the Rhode Island Commerce Corporation, developed its plan to provide 38 Studios and Curt Schilling, the former Red Sox pitcher, with the loan to move his fledgling company from Massachusetts to Providence.

Marcaccio said that Raimondo had limited knowledge about the plans and most of her knowledge was based on stories published in The Providence Journal. He said that Frank Caprio was the general treasurer at the time and more than 10,000 pages of documents have been turned over to the court.

Marcaccio described Raimondo as "a bystander to the events" surrounding 38 Studios.

Martland, who is defending Keith Stokes, former chairman of the EDC, and Sarli, who is defending First Southwest and several other defendants, argued that Raimondo had met with Stokes and George Nee, an EDC board member and president of the Rhode Island AFL-CIO.

"She will be a trial witness," Martland said. "She shouldn't be treated any differently than any of the other witnesses or deponents in this case."

Sarli assured the court that the deposition would take no more than a day.

Silverstein also granted an extension to the Aug. 15 deadline to have all of the depositions in the case completed. The defense sought another month, but the judge decided to extend the period to Aug. 31.

Raimondo will be deposed after Aug. 15 and before Aug. 31.

The topic of the extension led to a heated and lengthy debate between Petros and Wistow.

Petros told the judge that the defense lawyers have been flat-out and have sat through 28 depositions over the past 60 days. He wanted a 30-day extension to finish up questioning former House Speaker Gordon D. Fox and Governor Chafee and others who have yet to be deposed.

"Judge, we are getting a lot done, but there is still a lot more to do," Petros said.

He said that they have 25 more depositions scheduled by Aug. 15, and on some days, three people will be called in for questioning. "It's a crazy schedule," he said. "This is one of the most complex cases I have ever seen."

Petros said that "fewer than 10 percent" of the depositions are completed in a day, while most of them take two or three days.

"It's been a beautiful summer and I'd like to take one day at the beach," he joked with the judge.

Silverstein enjoyed the humor and told Petros that plenty of rain was forecast for this weekend.

Wistow countered that he wanted the judge to stick with his Aug. 15 deadline. He pointed out that the defense lawyers dragged their feet for months and only held two depositions between May 2 and June 1.

"They have been asleep at the switch," he said. "They have not done this expeditiously."

He said that Fox, whose office was raided by federal agents in March, is not available because of the death of his mother. He said that the legislator has repeatedly not showed for questioning from lawyers.

Former RI Governor Carcieri was deposed Thursday as part of 38 Studios lawsuit

Published: August 01, 2014 12:36 PM



PROVIDENCE JOURNAL FILE PHOTO / BOB THAYER

In this July 26, 2010 photo, Curt Schilling, right, passes then-Gov. Donald L. Carcieri on Schilling's way to the podium after the R.I. Economic Development Corporation approved loans for Schilling's video game business, 38 Studios.

+1



News staff

PROVIDENCE, R.I. -- Former Governor Donald L. Carcieri was deposed Thursday as part of the state's 38 Studios lawsuit, according to lawyers for the state and one of the defendants in the case.

"The whole morning was complete waste of time," said Max Wistow, representing the former R.I. Economic Development Corporation. Wistow, of Baryllick Sheehan & Loveley PC, is leading the state's effort to recoup any lost taxpayer money.

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Wistow, who represents the former governor, said he was upset with the amount of time defense lawyers took on Thursday to depose Carcieri.

The former governor, 71, grew tired by 4:30 p.m., when the session was ended, according to Gerald Petros, a lawyer for defendant First Southwest Company, whose employees were involved in crafting the loan deal for 38 Studios, and who already have been deposed.

Carcieri served as chairman of the Economic Development Corporation's board at the time the 38 Studios deal was struck. What he and the other board members knew about the videogame company's strained finances prior to their vote is a central issue in the lawsuit.

The agency — now known as the R.I. Commerce Corporation — seeks money to help cover the costs of the \$75-million bond sale that raised money for 38 Studios' operation in Rhode Island.

The EDC filed the lawsuit against company founder Curt Schilling, three other 38 Studios executives and 10 other people or entities seeking money to pay \$89 million due the investors who bought bonds to fund 38 Studios move to Rhode Island. The company folded in June 2012, just months after releasing its first videogame — “Kingdoms of Amalur: Reckoning.”

Not named in the lawsuit are key politicians who supported the state's loan-guarantee program, House Speaker Gordon D. Fox and Carcieri.

Carcieri and Fox, as elected officials at the time, are immune from a lawsuit.

Superior Court Judge Michael A. Silverstein Thursday granted a minor extension to the Aug. 15 deadline to have all of the depositions in the case completed. The defense sought another month, but the judge decided to extend the period to Aug. 31.

-- with reports from W. Zachary Malinowski and Journal archives

-- An earlier version of this story did not make it clear that Wistow represents Carcieri and was upset about the way defense lawyers questioned the former governor.

At Mollis' behest, hearing delayed on Corso's actions in 38 Studios loan guarantee

Published: July 30, 2014 01:00 AM



Gretchen Ertl/The Providence Journal
Corso

By Jennifer Bogdan

Journal State House Bureau

jbogdan@providencejournal.com

PROVIDENCE — Secretary of State A. Ralph Mollis' office on Tuesday successfully delayed a hearing process he convened looking into possible unregistered lobbying efforts to bring the now bankrupt 38 Studios video-game company to Rhode Island.

The reason given for the delay: Mollis' office last week quietly filed a request to preserve evidence with state Superior Court. The office is awaiting the outcome of that procedure before it continues with the hearing on attorney Michael Corso's alleged lobbying.

According to the petition filed July 25, Mollis is seeking authorization to take depositions from 38 Studios founder and former Red Sox pitcher Curt Schilling, former 38 Studios president Bill Thomas, former 38 Studios board member Thomas Zaccagnino and former state Economic Development Corporation executive director Keith D. Stokes.

The petition also seeks depositions from “the person(s) most knowledgeable at The Providence Journal Company” and “the keeper of the records for The Providence Journal Company.” At a hearing earlier this month, Mark Welch, an attorney for Mollis’ office, introduced a 2010 Journal article as evidence in the Corso hearing.

A Superior Court hearing has been scheduled for Aug. 18. Mollis’ office requested that the secretary of state’s proceeding be delayed until after that time.

On Tuesday, hearing officer Louis DeSimone granted Mollis’ request for a delay until Aug. 26, despite heated objections from one of Corso’s attorneys, Anthony Traini. Corso has not attended either of the two hearings that have taken place in his case.

Traini argued that Mollis, who is term-limited as secretary of state and is running in a contested primary for lieutenant governor, is delaying the hearing for political reasons. The delay, Traini said, deliberately keeps the issue in the public spotlight until September’s primary election.

“This is entirely political theater,” Traini said. “[Mollis] is using somebody for political purposes and he’s prostituting the legal system to do it, which is really abhorrent conduct. ... If the people elect him to another office, they deserve what they get.”

Corso’s attorneys also argued that Mollis should have conducted his investigation prior to the hearing.

“It is absolutely clear that the secretary did not conduct any investigation prior to noticing this hearing and is now trying to conduct an investigation in the middle of the hearing,” Traini said.

Mollis did not attend the hearing. In a phone interview afterward, he pinned the blame for the delay on Corso and his attorneys. Superior Court action never would have been taken, Mollis said, if Corso had appeared at the initial hearing.

“While Mr. Traini is throwing that accusation, if Mr. Corso had just shown up for the first hearing, we wouldn’t be asking for continuances,” Mollis said. “It’s funny. If I didn’t attempt to enforce this law, they’d say it’s political, and I’m trying to do my job, and they’re saying it’s political.”

Mollis said his office would have preferred not to go on “a wild-goose chase” to track down depositions.

“We are conducting a hearing in regards to our concerns. Mr. Corso was notified, and at that point he could have easily responded saying, ‘I’m not a lobbyist and here is why,’ ” Mollis said.

John Marion, executive director of Common Cause Rhode Island, a nonprofit group that champions government accountability, said the issue is worth pursuing, but it's clear that the hearing process has not been smooth.

"The office's inexperience in conducting these hearings is apparent to observers because Mr. Corso's team has consistently raised issues not only with the facts but with the process," Marion said. "Even if there are bumps in the road, that doesn't mean it's not a path worth pursuing. My hope is that they persist in trying to get to the bottom of who was trying to influence the government to pass the loan guarantee program."

Mollis has been under fire since scheduling the hearings after he was confronted by WPRI-TV about the potential lobbying efforts. His primary opponent in the lieutenant governor's race, Cumberland Mayor Daniel McKee, accused him of conducting a biased proceeding after he selected Louis DeSimone, the cousin of House Majority Leader John DeSimone, to preside over the hearing.

Frank Lepizzera, another attorney for Corso, however, said their criticism of the process is directed only at Mollis. They have not had any issues with how Louis DeSimone has conducted the hearing, Lepizzera said.

Schilling, Zaccagnino say they won't attend hearing on 38 Studios lobbying

Published: July 16, 2014 04:34 PM

BY PAUL GRIMALDI

pgrimald@providencejournal.com

PROVIDENCE, R.I. — Ex-Red Sox pitcher Curt Schilling and a former business associate informed the R.I. Secretary of State's office they will not attend a hearing Thursday on whether they violated state laws governing lobbyists.

Curt Schilling, founder of the star-crossed 38 Studios videogame company, and Thomas Zaccagnino, a 38 Studios board member, informed the Secretary of State's office separately that they would not attend the hearing.

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Attorney Michael Corso's lawyer lodges objections at 38 Studios hearing

Schilling summoned to testify on his alleged lobbying for 38 Studios



Former Red Sox pitcher and 38 Studios founder Curt Schilling.

Photo: Bob Thayer / The Providence Journal

In a letter dated July 10 to hearing officer Louis A. DeSimone Jr., Zaccagnino lawyer Michael F. Connolly noted his client is in St. Louis until Friday. He asked for a 30-day continuance.

In a July 9 letter, Schilling's Philadelphia lawyer cited health reasons for his client's inability to make the hearing. In February, Schilling — now an ESPN baseball analyst — announced he had been diagnosed with cancer. He announced in late June that the cancer was in remission.

"Frankly, we cannot state with certainty when Mr. Schilling will be in position to appear," for a hearing, wrote Edward J. Hayes, of the Fox Rothschild law firm.

The Secretary of State's office gave no reason in why it delayed release of the letters.

Secretary of State Ralph Mollis scheduled the hearing to give the two former executives a chance to explain why they should not be fined for unregistered lobbying activities in 2010.

Notices sent to Schilling and Zaccagnino said the two principals in the failed 38 Studios video-game company, which received a \$75-million state-backed loan guaranty, will be given an opportunity to provide evidence in their own defense as to why they are not in violation of the state's lobbyist registration and reporting laws.

Lawyers for the two men have already denied the alleged lobbying violations.

Including interest, taxpayers are on the hook for a potential \$89 million to the private investors who purchased the moral obligation bonds that financed Schilling's venture.

Providence lawyer Michael Corso did not show up last week for a hearing on the same matter. Instead, Anthony Traini, one of Corso's attorneys, argued that the hearing was improper because Mollis did not complete an investigation before launching the inquiry.

The 2012 failure of the 38 Studios deal continues to be a political issue in Rhode Island, and spawned a lawsuit by the EDC to try and recover the millions of dollars Rhode Island taxpayers will have to shell out for the bonds that funded Schilling's business.

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38 Studios Insider Gets \$625k in New Film Tax Credits

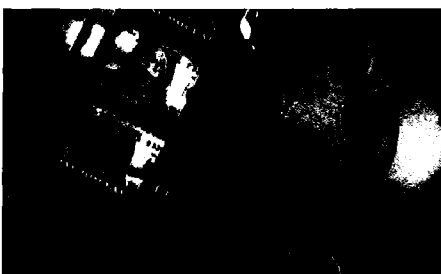
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Tuesday, June 19, 2012

Dan McGowan, GoLocalProv News Editor

The Providence lawyer who pledged more than \$14 million in Rhode Island motion picture tax credits that had not actually been issued as collateral in order to obtain an \$8.5 million loan for Curt Schilling's 38 Studios is now playing a behind-the-scenes role in a Michael Corrente movie that is slated to receive \$625,000 in state tax credits, GoLocalProv has learned.

Michael Corso, a top tax credit broker whose loan agreement with BankRI is among several 38 Studios-related matters currently being investigated by state and federal authorities, is one of seven producers for "Backmask," a horror film currently being shot in Exeter, according to IMDB. Corso's business partner, Anthony Gudas, is listed as the executive producer and former State Rep. John Loughlin has a small role in the film.



On Monday, the Rhode Island Film and TV Office confirmed the film has received an "Initial Certification Letter" for the tax credits. Corso did not respond to a request for comment.

"They go to the Same Crew of People"

The news that Corso is associated with another entity set to receive tax credits came as no surprise to several critics who say the film tax program only benefits a small number of connected individuals.

"They just go to the same crew of people," said State Representative Charlene Lima. "Without any transparency, people don't see how it's only the

connected people that are the ones getting all the tax credits."

"Backmask" isn't the only local film Corso has helped produce in recent years. In fact, he is listed as the executive producer for "Loosies" and "Inkubus," two movies that combined to receive over \$300,000 in local tax credits since 2010. Records filed with the Secretary of State's office show Corso also sold tax credits for those two films and "Infected," which received \$640,185 in credits from the state.

Corso's role in the movie industry stretches far beyond Rhode Island. Since 2010, he has been tagged as a producer for more than 20 films. His business, Sakonnet Capital Partners, has helped broker tax credit deals for the majority of those films, according to IMDB.

For Lima, Corso's connections to the industry are evidence enough that changes need to be made to the way the state doles out tax credits. She said she believes a list of entities seeking credits should be kept by the Attorney General's office and that the same groups or individuals should not be allowed to collect the majority of the available credits.

Lima introduced an amendment during this year's budget debate that she says would have reformed the tax credit system, but it failed to gain enough support from her colleagues. Lima said she also believes companies should be forced to reveal more about their finances and personnel if they are seeking tax credits.

"Right now it's just a favor factory," Lima said. "I think a lot of people share the same frustrations I have. We need to change the whole system because right now, it just feeds the well-connected."

Corso at Center of 38 Studios Deal

A more open process could have also prevented Rhode Islanders from being stuck with the tab to cover the collapse of 38 Studios, according to Lima.

Corso was at the center of the 2010 deal that brought Schilling's company to the Ocean State. In March of that year, former Economic Development Corporation (EDC) executive director Keith Stokes and House Speaker Gordon Fox (a close friend of Corso's) met with Schilling and 38 Studios director Tom Zaccagnino about bringing the video game company to Rhode Island.

Two months later, the General Assembly approved legislation that expanded the EDC's Job Creation Guaranty Program from \$50-\$125 million. By July of that year, the EDC's board had signed off on a plan to award 38 Studios a \$75 million loan guarantee.

At the time of the deal, Schilling said that he was not moving his company to Rhode Island simply to seek tax credits, but that's exactly what he did less than a year after moving into 38 Studios' downtown headquarters.

PAT BENATAR & NEIL GIRALDO
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In January, Corso secured an \$8.5 million loan from BankRI by putting up \$14.3 million in film tax credits as collateral. Corso and Schilling now claim the state reneged on a deal for the credits after the company failed to make a \$1.125 million payment due to the EDC on May 1.

38 Studios filed for bankruptcy earlier this month, several weeks after laying off every single employee. The company owes creditors more than \$150 million and has less than \$22 million in assets.

Suspend the Tax Credits

For some good government and tax policy groups, reforms to the tax credit system like the ones proposed by Lima need to take place before the state dishes out anymore funds.

Specifically, any project that has connections to Corso should be halted for the time being, according to Ocean State Tea Party in Action president Lisa Blais.

"While the rule is innocent until proven guilty, the fact that this insider's name keeps popping up with tax credits should be create enough question to pause," she said. "It also underscores that presumably many 'non-VIPs' have been turned away for tax credits to start or grow business or generate economic activity in other ways in RI."

Late last month, Rhode Island Statewide Coalition (RISC) executive director Donna Perry also called for a suspension of the tax credit program.



"In light of all the unanswered questions, it seems only reasonable and fair to the taxpayers that the Governor freezes the film tax credit program and orders a full accounting of how the EDC provides oversight to the loan guarantee program across the board," Perry said.

Dan McGowan can be reached at dmcgowan@golocalprov.com.

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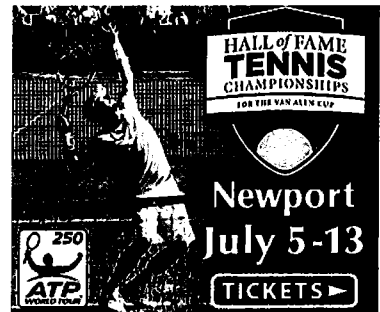
Corso has his problems but using Charlene Lima as a critic??wow...message to Rep..someone in your house (the one in cranston) HAS DONE MUCH WORSE...if you need a reminder google him
Comment #1 by louis rizzo on 2012 06 19

Again, no shock here. Why would Corso be made to stop? This seems like he has a Monopoly in play here with the help of Fox became the only person that would receive them in this state. In my opinion he sold something that wasn't his to sell which I think is "fraud" last time I checked. Anytime there's tax credits in this state, somehow he's linked to it. Governor Gump wouldn't be smart enough to suspend a program that is fraught with corruption. He's too busy looking at how we can legalize pot, and hoping that we can bring the economy in this state back with being more open to social issues such as gay marriage. And don't forget our favorite... how we can give illegal aliens drivers licenses and more benefits for free. Although he says he's independent, I see a democrat all the way. Supports David Cicillini, and other Democrats and his actions are right in line with the Presidents proposals and actions. If you look closely, you'll find a wolf wearing a lambs costume. This story just reiterates why businesses will not come to this state, and if they do, then shows what kinds of nasty underground dealings they must comply with in order to have any sort of success without the government putting them out of business. What company in their right mind would want to deal with that? None.

Comment #2 by Bob Stanley on 2012 06 19

Corso and Fox need to be investigated by the Feds. They are the only 2 to blame here. Carcieri is just to DUMB to have figured out this kind of scam scheme. Curt is too stupid as well. They were hoodwinked by Corso and Fox.
Comment #3 by Carol DeFeciani on 2012 06 19

corso and fox need to be investigated . however , not by ag or risp .
independent investigator or feds only .
Comment #4 by vinny coia on 2012 06 19



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corso and fox should be investigated . however , not by risp or ag .
federal or independent investigation .
Comment #5 by vinny cola on 2012 06 19

"Corso and Fox should be investigated. However , not by RISP or AG .
Federal or independent investigation."

You're kidding right?

This is RI!!

The Feds turned a "blind eye" to indictments from Operation Dollar Bill" because, in my opinion, the then US Attorney wanted to be a member of the RI Judiciary!

This is RI!! Nothing will come of this?

Comment #6 by Fabiano Terreni on 2012 06 19

Call the attorney general's office and the governor gump's office to investigate Michael Corso's Tax Credit Preservation Fund AND Sakonnet Capital Fund. This state welfare program for rich people, or should I say, rich person, needs to STOP immediately. Why are these tax credits even transferable or saleable to another party anyway? What kind of game is this?

Talk about vampires lately. This guy is feeding at the public trough. The movies Corso has produced describe this entire hoodwink of the masses: Backmask, Loosies, Inkubus, and Infected. Rich people, including politicians, lawyers, and bankers, need to stop preying on the rest of us. It's time to take back ownership of this country, and Rhode Island seems like a good place to start.

Comment #7 by Jack Cottone on 2012 06 19

AMEN AMEN I SAY TO YOU

LEAVE THE OLDER RETIREES OF PUBLIC SAFETY ALONE AND SUPPORT YOUR POLICE AND FIREFIGHTERS.

NONE OF THE ABOVE ARE IN A LABOR UNION.

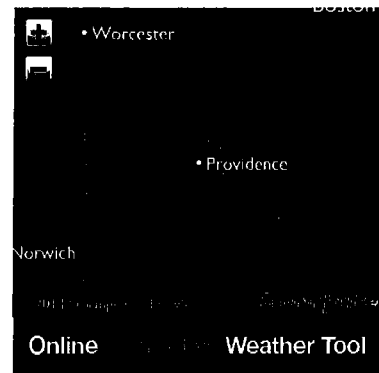
THANK YOU

Comment #8 by Donna Day on 2012 06 20

Are you on the wrong story, Donna?

Comment #9 by Jack Cottone on 2012 06 20

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Providence Investors Gave Schilling 7-Figure Loan in 2009

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YOUR HOME FOR RED SOX BASEBALL



Monday, June 04, 2012

Dan McGowan, GoLocalProv News Editor

A year before Curt Schilling's 38 Studios received a \$75 million loan guarantee from the state, a group of five investors led by a Providence lawyer gave the company a seven-figure loan, GoLocalProv has learned.



On July 17, 2009, Duffy & Sweeney co-founder Michael F. Sweeney formed 38 Bridge Partners LLC to provide Schilling's company with a short-term bridge loan, Sweeney said during a brief weekend interview. He did not reveal the exact amount the group loaned 38 Studios, but said the investment was "significant" and that Schilling honored their agreement and paid off the loan.

By September 2010, Sweeney, who said he was unaware Schilling had plans to move his video game company to Rhode Island when he invested in 38 Studios, was helping to negotiate the lease for the company's downtown headquarters.

While Sweeney did not reveal the names of his fellow investors, he said the group was comprised of private citizens and did not include any elected officials or lawyer Michael Corso, who helped bring 38 Studios to Rhode Island and was attempting to help sell off film tax credits on behalf of the company in the months before its financial woes became public.

Schilling Blames Politics

Last month, 38 Studios defaulted on a \$1.125 million payment due to the Economic Development Corporation (EDC) and later attempted to pass a bad check to help cover the debt. The company ended up making the payment, but was unable to pay its employees. The company found itself back in default when it was forced to lay off every single employee nearly two weeks ago.

Schilling, who says he has invested the "majority of the money I've earned in my life" in the company, has suggested Governor Lincoln Chafee helped scare away new investors by going public with 38 Studios financial problems and revealing that the "Project Copernicus" game was not scheduled to be released until June 2013.

Chafee, who was opposed to the \$75 million deal during his campaign in 2010, has defended his public comments by warning that taxpayer funds are at his risk. The Governor, who says he encouraged every EDC board member who voted for the deal to resign, has also disputed the claims that he helped drive investors away from the company.

"I don't believe [my comments] scared away investors," Chafee said during a State House press conference last week. "An investor is not going to be scared away by some Governor's comments."

Questions Unanswered

Still, questions of how much politics played a role in the original deal that brought the company to Rhode Island have gone unanswered.

In order for the EDC to award the \$75 million loan guarantee to 38 Studios, the General Assembly had to pass legislation to expand the corporation's Job Creation Guaranty Program from \$50 million to \$125 million. Lawmakers have continuously stated that they were unaware the entire \$75 million had been earmarked for one company.

Sweeney, who has made minimal campaign contributions to House Speaker Gordon Fox, former Governor Don Carcieri and former House Finance chairman Steven Costantino over the last decade, said he was not at all involved in the deal that brought the company to Rhode Island. He also said Schilling never approached him for another loan after the 2009 deal.

But Corso, who has made millions dealing in tax credits and has close ties to Fox, was involved in the 38 Studios deal from the very beginning. Corso hosted a meeting between Fox, former EDC director Keith Stokes, Schilling and 38 Studios director Tom Zaccagnino in March 2010.

Steven Nappa, a friend of Corso's and the owner of a construction company that filed for bankruptcy in December 2009, was awarded the contract to build out the interior to the 38 Studios headquarters at One Empire Plaza.

Coincidentally, Zaccagnino's name is associated with several LLCs that were formed in Rhode Island in May 2009 and list Sweeney as the registered agent. However Sweeney told GoLocalProv that those entities were related to a \$12 million real estate project in Little Compton and had nothing to do with 38 Studios.

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Future Uncertain

But while Schilling was able to make good on paying back Sweeney and his fellow investors, it remains unclear whether taxpayers will be left on the hook for the \$75 million the state essentially co-signed for. Gaming industry experts say the state may only receive pennies on the dollar for the intellectual property it will own if the company goes bankrupt.

University of Rhode Island business professor Dr. Edward Mazze said poor management, a lack of planning, inadequate capital and the fact that it was growing too fast are among the reasons the company has fallen on hard times.

"38 Studios had the opportunity for the last eighteen months to raise additional funds after they received the state guaranteed loan and/or to enter into strategic partnerships with other firms in the industry including distribution channels," Mazze said "As of today, 38 Studios has been unsuccessful in accomplishing these tasks. They have done a lousy job in communicating with their stakeholder groups including the State of Rhode Island. 38 Studios has become their own worst enemy."

Dan McGowan can be reached at dmcgowan@golocalprov.com.

EDITOR'S NOTE: Michael Sweeney is an investor in GoLocal24, LLC, the parent company of GoLocalProv.com.

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Comments:

I don't understand the purpose of this story. Schilling was given a loan and he paid it back. That's newsworthy?

I've paid off loans too, and never seen a story written about it.
Comment #1 by pearl fanch on 2012 06 04

Hey Pearl,

Thanks for reading. I think you raise a good point. Although it certainly shows that Schilling had RI connections long before that March 2010 date that has been reported.

Dan
dmcgowan@golocalprov.com
Comment #2 by Dan McGowan on 2012 06 04

This is about playing politics in RI, it is not about the politicians making money for the state it's about politicians making money for themselves.
The only time the people of RI come into the picture is to pick up the tab with taxes.
Comment #3 by Gary Arnold on 2012 06 05

This story is merely saying that 38 Studios repaid its debts when it was able to do so. That's great. Not much of a story, but I'm glad to see some Rhode Islanders were able to benefit from the presence of 38 Studios.
Comment #4 by Todd B on 2012 06 05

This news story is bigger than you think. In other news media, we are beginning to see the lists of lawyers who were involved on the RIEDC side. Dan McGowan has done well to expose the 2009 "bridge loan" by Sweeney's investment group, a deal certainly made at his firm, Duffy and Sweeney. A "bridge loan" is a short term loan pending arrangement of larger or longer-term financing.

Question: did D&S lawyers know the big RIEDC loan was coming? Was D&S working for Bank Rhode Island on the RIEDC deal? If Sweeney was "not at all involved" in the deal that brought the company to RI, what would you call "negotiating the lease"?

All the little pieces of the puzzle were performed by different law firms, and all of them need to be audited to get to the bottom of it. The auditors should be very interested in whether this group of investors knew about the RIEDC \$75

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million loan from which they were likely repaid. Of course, Schilling never approached this group of investors for another loan, because it was a high interest rate bridge loan made by venture capitalists who made a nice chunk o change.

Another good question: Who approached who in the first place? Was Schilling introduced to this investment group (created specially for him) through any of the politicians or business people we see listed in this article?

Sweeney's firm D&S has so far not been on the list, but should be put on it now, since they likely did work on the RIEDC – 38 Studios loan for Bank Rhode Island, the bank where Schilling dropped off his gold coins as collateral. Comment #5 by Shalala Shamba on 2012 06 05

There is an even bigger can of worms here if we begin to tip the can over: Elsewhere we read that in 2009 Schilling's 38 Studios (at this time based in Mass) purchased the Maryland-based Big Huge Games.

Was the 7-figure loan by Sweeney's 38 Bridge Partners investment company used for this purpose? Was the "bridge loan" repaid in 2010 with mere pocket change from the 8-figure RIEDC loan? And if you follow the money, did Rhode Island taxpayers ultimately pay Schilling to buy a new company in another state? Was that money earmarked only for his Rhode Island company expenditures?

The mind reels now that Schilling's employees in both MD and RI have lost their jobs. The 2009 bridge loan needs to be investigated, and it will come up once auditors audit the books of Bank Rhode Island. Comment #6 by Shalala Shamba on 2012 06 05

I thought these were bonds for sale to the public. I didn't buy any bonds, so why should I pay?

Some people think this article discloses nothing important or related. BUT... Since GoLocal news is a client of this attorney, I'd be interested to know how this interview came about? AND Why come out with this information now unless someone is breathing down your neck? Would it be better to "come clean" with a boring storyline ('limited hangout') about an unrelated loan? It is unwise to come to conclusions too early on this.

JC

Comment #7 by Jack Cottone on 2012 06 05

Shalala, good work. It's beginning to look like Schilling was fleeced by Rhode Island attorneys long before he moved his business here. Poor bastard had no idea the chicken coop here is guarded by the foxes (bankers, lawyers, politicians).

Comment #8 by Jack Cottone on 2012 06 05

Jack,

Just to be clear, I never found about GoLocal's relationship with Mr. Sweeney until after the story was in the works. I have nothing to do with the business side. Not smart enough ■

Comment #9 by Dan McGowan on 2012 06 06

Dan, you did a great service with this article and interview! Glad to hear you didn't know about GoLocal's relationship with this law firm when you interviewed the top partner. But my reference to "coming clean" with a "limited hangout" was not pointed at you, but to the law firm itself. Just wondering how the interview came about and whether it was just a hunch on your part, or whether it was his idea.

Also BTW, this article doesn't come up on the related posts list below the articles about Schiller and 38 Studios, and it should because it's related and more people should read it! Can you get your staff on that? We wouldn't want this gem to go underreported!

Thanks for your work.

Comment #10 by Jack Cottone on 2012 06 06

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Former EDC staffers sue to block proposed 38 Studios settlement

July 07, 2014 01:14 PM

PAUL GRIMALDI

Journal Staff Writer

pgrimald@providencejournal.com

PROVIDENCE, R.I. -- Two former employees of the R.I. Economic Development Corporation on Monday formally objected to a proposed settlement in the long-running 38 Studios civil case.

Keith Stokes, who served as executive director of the EDC, and J. Michael Saul, who served as its deputy director, have asked a R.I. Superior Court judge to block the settlement.

The EDC sued 14 individuals, law firms and financial institutions in Superior Court in November 2012, a few months after the video-game company founded by ex-ballplayer Curt Schilling filed for bankruptcy.

The agency -- now known as the R.I. Commerce Corporation -- seeks money to help cover the costs of the \$75-million bond sale that raised money for 38 Studios' operation in Rhode Island.

One of the lawyers who advised the EDC on its ill-advised loan guaranty to 38 Studios has reached a tentative settlement with the agency.

Antonio Afonso and his firm -- Moses Afonso Ryan Ltd. -- have agreed to pay \$4.37 million from the law firm's insurance policy "to put this matter behind them," according to state court documents. Afonso served as bond counsel to the EDC on the deal.

Stokes and Saul, co-defendants in the case along with Afonso, assert in court papers that the recently approved Rhode Island law that opened the way for such individual settlements is unconstitutional. They've asked Superior Court Judge Michael A. Silverstein to block the settlement.

Introduced in the spring at the request of Governor Chafee's administration, the proposal effectively shields any defendant that settles with the state in the case from lawsuits brought by other defendants over damages for which that defendant is found liable.

The law is "fundamentally unfair," Stokes and Saul assert, because they cannot rely on the insurance policies available to Afonso and other lawyers to pay legal costs such as the proposed settlement.

Silverstein is expected to consider the settlement matter Tuesday during a court hearing in Providence.

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Former EDC officials claim agency's lawyers were negligent

July 08, 2014 02:38 PM

BY PAUL GRIMALDI

pgrimald@providencejournal.com

PROVIDENCE, R.I. — Two former employees of the R.I. Economic Development Corporation have sued two of the state agency's former lawyers claiming they failed to advise them properly in the run-up to the 38 Studios loan deal.

An EDC loan to the videogame company founded by ex-Red Sox ballplayer Curt Schilling is the basis for a lawsuit the agency — now known as the R.I. Commerce Commission — brought against the two former employees and 12 people or entities.

The state is seeking the money to pay investors who bought \$75 million in bonds sold to back the move of 38 Studios from Maynard, Mass., to Providence. Schilling's company failed in 2012, shortly after releasing its first videogame — "Kingdoms of Amalur: Reckoning."

The EDC's former executive director, Keith Stokes, and its former deputy director, J. Michael Saul, are two of the 14 defendants in the case. Late last week, they filed a separate lawsuit claiming the agency's outside lawyer and its bond counsel, failed to warn them of the legal perils they faced in helping to engineer the 38 Studios loan.

The outside lawyer was Robert I. Stolzman, of Adler, Pollock & Sheehan. The bond counsel was Antonio Afonso Jr. of Moses, Afonso, Ryan. Stokes and Saul want the lawyers to pay for their legal fees and any financial judgement that may come against them in the 38 Studios lawsuit.

As part of the main 38 Studios case, Stokes and Saul also filed a joint motion to block a proposed \$4.3 million settlement Afonso and his firm have reached with the EDC.

Superior Court Judge Michael A. Silverstein will continue hearing arguments on that request, and possibly other matters related to the primary 38 Studios case, this afternoon.

On Twitter: [@PaulEGrimaldi](#)



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Corso not at hearing on possible 38 Studios lobbying violations

By Reporting by Tim White

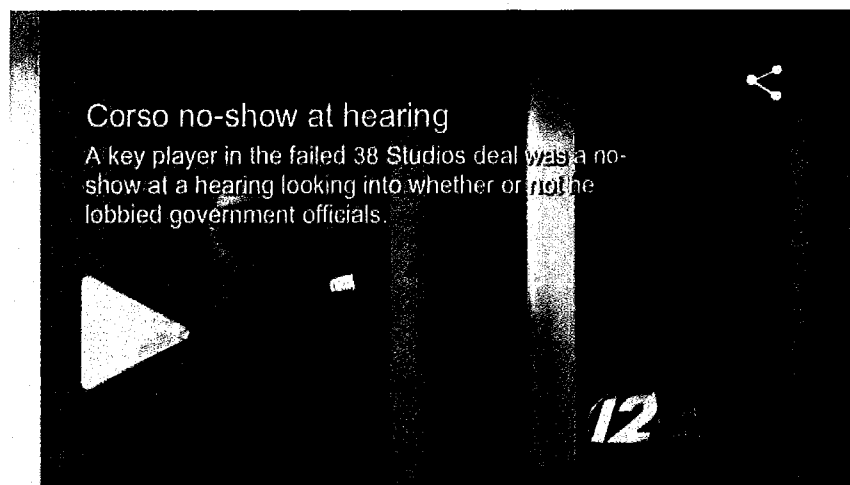
Published: July 11, 2014, 6:25 am | Updated: July 11, 2014, 7:08 pm

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PROVIDENCE, R.I. (WPRI) – A key player in the failed 38 Studios deal was a no-show at a hearing looking into whether or not he lobbied government officials.

Providence attorney Michael Corso is being investigated for possibly violating Rhode Island's lobbying laws while he was involved with Curt Schilling's failed video game company. Friday will mark the State House's first lobby violation hearing in nearly 20 years. The hearing was initially scheduled for July 1, but it was delayed (<http://wpri.com/2014/06/25/hearings-into-38-studios-lobbying-scheduled-for-next-week/>) due to a scheduling conflict.

Secretary of State A. Ralph Mollis launched the probe in the wake of a Target 12 investigation (<http://wpri.com/2014/05/05/target-12-investigation-triggers-ri-probe-of-38-studios-lobbying/>) that revealed no one from 38 Studios or hired by the company registered to lobby Rhode Island government when the controversial deal was being put together in 2010. State officials are trying to determine whether Corso should have registered as a lobbyist while he was working for 38 Studios.

- READ: Letter to Corso and response (<http://wx.wpri.com/documents/pdf/2014/SOS-letter-to-Corso-and-response.pdf>)

Documents shows 38 Studios paid Corso \$300,000 while he was interacting with government officials.

Corso's attorneys have denied any wrong-doing.

Anyone found to have violated the rules can be fined \$2,000 for legislative lobbying and \$1,000 for executive-branch lobbying.

The next hearing was scheduled for July 29.



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Stokes withdraws lawsuit in 38 Studios case

Posted: Jul 11, 2014 2:38 PM EDT

Updated: Jul 11, 2014 6:02 PM EDT

By Associated Press

PROVIDENCE - The former leader of Rhode Island's economic development agency has voluntarily dismissed a complaint against lawyers who represented the agency in the \$75 million 38 Studios loan-guarantee deal, attorneys said Friday.

David Martland, a lawyer for former Economic Development Corp. Executive Director Keith Stokes, filed a dismissal notice this week in Superior Court. Stokes said he dismissed it because he realized it would be a distraction to the main lawsuit.

Stokes and his then-deputy at the EDC, Michael Saul, filed the original complaint last week. It alleged legal malpractice, saying that two lawyers and their firms provided Stokes and Saul poor legal advice that they relied on in 2010 before the EDC board approved the guarantee.

The lawsuit named Antonio Afonso Jr. and his firm, Moses Afonso Ryan, as well as Robert Stolzman and his firm, Adler Pollock & Sheehan.

In a statement to The Associated Press, Stokes said he dismissed it because "it was clear that it was going to be a distraction to the main lawsuit and I cannot devote the very limited resources I have to prosecute the litigation."

"While the personal and financial burden of defending the suit brought by EDC is devastating, I am hopeful that a public trial will allow for the full disclosure of all the facts and persons involved surrounding the 38 Studios transaction," he said.

Stokes said he has devoted his entire career to public service in Rhode Island.

Bruce Gladstone, an attorney for Saul, said his client is going ahead with the complaint.

"I stand alone," he told a judge during a hearing in the 38 Studios case on Friday.

38 Studios, the startup video game company founded by ex-Red Sox pitcher Curt Schilling, ran out of money and filed for bankruptcy in 2012. The EDC filed suit against Schilling and 13 others over the collapse, alleging fraud, negligence and breach of fiduciary duty, among other things.

Afonso, Stolzman and their two firms are also named in the EDC's suit, along with Stokes and Saul.

Afonso and his firm agreed last month to settle with the EDC for \$4.4 million, but several parties, including Stokes and Saul, objected. They said the settlement violates due process and is unconstitutional. The judge must approve it.

After Stokes and Saul filed their suit last week, lawyers for Moses Afonso and the EDC claimed it was an attempt to block the settlement - which Stokes and Saul denied.

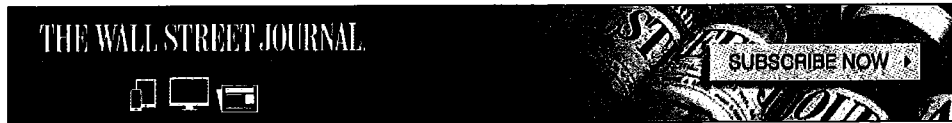
Moses Afonso worked on the sale of the bonds that financed the loan to 38 Studios, and Adler Pollock served as general counsel for the EDC, which has since been renamed the Commerce Corp.

The state remains on the hook for some \$89 million related to the 38 Studios deal.

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Hearing on 38 Studios lobbying questions begins

Posted: Jul 11, 2014 10:33 AM EDT

Updated: Jul 11, 2014 4:31 PM EDT

By NBC 10 News

The lawyer for a man accused of illegally lobbying for 38 Studios said Rhode Island Secretary of State Ralph Mollis is targeting his client for political gain.

Attorney Michael Corso had a lucrative consulting deal with 38 Studios during the gaming company's loan guarantee deal with the state.

Corso did not attend a State House hearing Friday into whether he was an unregistered lobbyist for the company four years ago.

Corso's lawyer, Anthony Traini, argued that the secretary of state has no legal authority even to call such a hearing. Traini also called evidence presented Friday, "ridiculous."

Traini accuses Mollis of grandstanding because he's running for higher office.

"As far as we're concerned, there isn't any doubt that this is a political issue and it has a lot to do with the fact that Mr. Mollis wants to be lieutenant governor and he's trying to figure out a way to make people think he's actually doing his job as secretary of state," Traini said.

The I-Team reached out to Mollis's office for his response to Corso's defense team. There was no immediate comment.



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Hearing on possible 38 Studios lobbying violations scheduled at State House

By Chris Raia

Published: July 11, 2014, 6:25 am | Updated: July 11, 2014, 6:27 am

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Michael Corso, right, the Providence attorney who helped put together the 38 Studios deal, speaks outside his Providence law office in May 2014.

PROVIDENCE, R.I. (WPRI) – The 38 Studios saga continues Friday, as a hearing regarding possible lobbying violations by a local attorney is scheduled to take place at the State House.

Providence attorney Michael Corso is being investigated for possibly violating Rhode Island's lobbying laws while he was involved with Curt Schilling's failed video game company. Friday will mark the State House's first lobby violation hearing in nearly 20 years. The hearing was initially scheduled for July 1, but it was delayed (<http://wpri.com/2014/06/25/hearings-into-38-studios-lobbying-scheduled-for-next-week/>) due to a scheduling conflict.

Secretary of State A. Ralph Mollis launched the probe in the wake of a Target 12 investigation (<http://wpri.com/2014/05/05/target-12-investigation-triggers-ri-probe-of-38-studios-lobbying/>) that revealed no one from 38 Studios or hired by the company registered to lobby Rhode Island government when the controversial deal was being put together in 2010. State officials are trying to determine whether Corso should have registered as a lobbyist while he was working for 38 Studios.

- **READ: Letter to Corso and response (<http://wx.wpri.com/documents/pdf/2014/SOS-letter-to-Corso-and-response.pdf>)**

Documents shows 38 Studios paid Corso \$300,000 while he was interacting with government officials.

Corso's attorneys have denied any wrong-doing. State officials said Corso will not have to testify at Friday's hearing.

Anyone found to have violated the rules can be fined \$2,000 for legislative lobbying and \$1,000 for executive-branch lobbying.

Stay with Eyewitness News This Morning for the latest developments on the 38 Studios hearing.



I-Team: One 38 Studios employee still goes to work every day

Posted: Jul 10, 2014 6:06 PM EDT

Updated: Jul 10, 2014 6:06 PM EDT

By Parker Gavigan - email

PROVIDENCE - His fingerprint opens a heavily secured door. A sticky floor mat clears his ostrich leg boots of any dust or debris.

The room he's entering is full of expensive computer equipment. A loud hum of the machines is palpable.

In a space of roughly two small coat closets, Jeff Easley, a systems administrator, is keeping what's left of 38 Studios alive. Out of nearly 400 employees Easley is the last one to go, literally the last man standing from 38.

"It has been a challenge to wear a lot of hats. I've had to learn a lot of stuff," said Easley.

He's sitting in front of his computer wearing a T-shirt, blue jeans and donning his signature beard long before "Duck Dynasty" became a popular TV show.

It's been more than two years since 38 Studios collapsed in May 2012. Employees stopped getting their paychecks. The video game company, owned by former Red Sox pitcher Curt Schilling, went bankrupt.

"People were so crushed they just walked away. And in a lot of cases there were empty coffee cups, their running shoes were still under their chairs. The shock value was just tremendous," said Easley.

While others left, Easley kept coming to work.

"It was the most exciting job that I've ever had in my entire life. I would have kept coming until they told me you can't come back, just don't come back to the building," Easley said.

Although bankrupt, 38 Studios had considerable assets to move out of its corporate headquarters in downtown Providence and in a Baltimore location.

Computers, desks, and other equipment sold at two public auctions and the profits, after expenses, totaled about \$436,452, according to court documents.

Some money was made when Microsoft purchased the rights to the Rise of Nation/Rise of Legends series.

The remaining intellectual property though, which includes Kingdoms of Amalur: Reckoning and the big unfinished game named "Copernicus" needed to be maintained and preserved.

Easley seemed like a good fit for the job.

"The biggest piece, of course, has been Copernicus," added Easley.

NBC10 got a peak of images never publicly seen before of the massive multi-player video game.

In 2010, 38 Studios received a \$75 million taxpayer backed loan, to not only move to Rhode Island but finish Copernicus, get it on the market and make millions. That vision, fueled by Schilling, never materialized and is a little more than half complete.

"We've got what amounts to in some respects a playable game. Does that mean you can buy a disc and pop it into your computer and run a game? No," said Providence attorney Rick Land.

Land is the state receiver charged with selling off 38 Studios assets to satisfy the debt carried by the bond holders.

He hired Easley for the technical end; Land keeps the company's patents and trademarks viable.

"The overall costs haven't been disclosed to the court yet, and I'm not in a position to be specific, but it's in the hundreds of thousands of dollars that it's cost to maintain the system," said Land.

On a monthly basis, the costs exceed \$15,000, said Land, not including his attorney fees nor marketing costs for the unpurchased games.

Asked whether his efforts are tantamount to throwing good money after bad, Land said he's cognizant of the costs.

"I don't believe I would be doing my duty as a court-appointed receiver if I was to just walk away. I'm hopeful any money earned from the sale of assets will exceed the costs of maintaining the system," Land said.

After the bankruptcy, Easley worked more than 40 hours a week. Now, he said that number has dropped to around 15 hours at a rented space in a Providence data center called Prov.net.

But with a state lawsuit pending against Schilling and 13 other defendants, in addition to potential buyers wanting to kick the tires of the 38 Studios property, he's on call.

"Despite all the difficulties we've had to go through, it's just been a matter of keeping optimistic, finding the right buyer that had enough intelligence to know what they are getting involved with and having some kind of business plan to get this to market," said Easley.

And the system administrator holds no ill will toward his old boss Schilling.

"You could love or hate the man. He'd give you the shirt off his back. He was always very generous with me," Easley said.



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Co-defendants move to block 38 Studios settlement

Posted: Jul 07, 2014 3:19 PM EDT

Updated: Jul 07, 2014 3:19 PM EDT

By Dee DeQuattro - bio | email

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Two former staffers of the Rhode Island Economic Development Corporation are asking a judge to reject a proposed settlement deal in the 38 Studios Law Suit.

Former Executive Director Keith Stokes and former Deputy Director J. Michael Saul are two of the named co-defendants in the lawsuit who are objecting to a settlement agreement from a third co-defendant, Antonia Alfonso and his firm Moses Alfonso Ryan Ltd. Alfonso agreed to a \$4.37 settlement deal from the firm's insurance policy but lawyers for Stokes and Saul argue that the settlement is unconstitutional.

A recent law passed in Rhode Island allows for individual settlements in multi-party suits, however Stokes and Saul say it is unfair to individuals who do not have legal malpractice insurance that can cover such settlements.

The matter is expected to be heard during a Tuesday court appearance.

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Hearing set for proposed \$4.4M settlement in 38 Studios lawsuit

By Angie Angers; Reporting by Brian Yocono

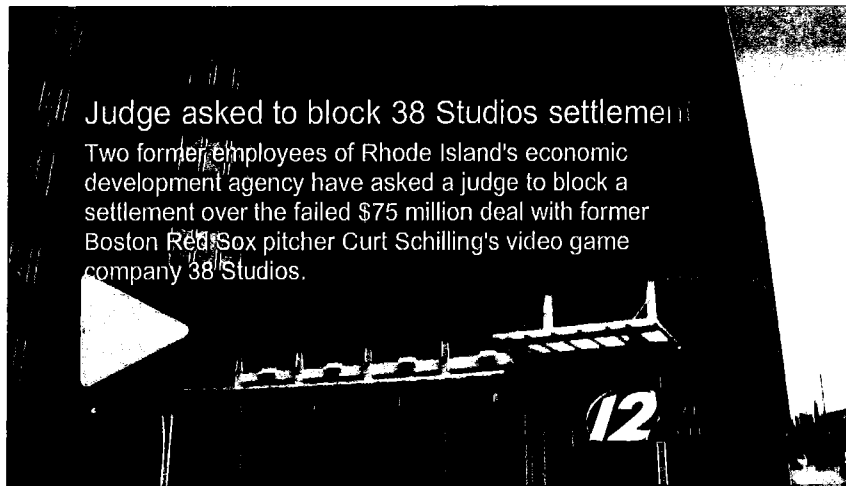
Published: July 8, 2014, 6:36 am | Updated: July 8, 2014, 6:41 am

🐦 (<http://wpri.com/2014/07/08/hearing-set-for-proposed-4-4m-settlement-in-38-studios-lawsuit/?share=twitter>)

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Judge asked to block 38 Studios settlement

Two former employees of Rhode Island's economic development agency have asked a judge to block a settlement over the failed \$75 million deal with former Boston Red Sox pitcher Curt Schilling's video game company 38 Studios.

PROVIDENCE, R.I. (WPRI) — A Superior Court hearing is scheduled for Tuesday on the proposed settlement from two of the defendants in the state's lawsuit over the failed 38 Studios deal.

The proposed \$4.4 million settlement is the first deal to be reached in the litigation surrounding the failed 38 Studios development. (<http://wpri.com/2014/07/07/judge-asked-to-block-38-studios-settlement/>) The Board of Directors of the Rhode Island Commerce Corporation signed off on the proposed settlement, which Gov. Lincoln Chafee calls a step in the right direction toward a positive resolution to the saga.

- Related: [RI law firm reach \\$4.4M settlement \(http://wpri.com/2014/06/27/ri-law-firm-reach-4-4m-settlement-in-38-studios-suit/\)](http://wpri.com/2014/06/27/ri-law-firm-reach-4-4m-settlement-in-38-studios-suit/)
- PDF: [Read the proposed 38 Studios settlement agreement \(http://www.courts.ri.gov/PublicResources/media/PDF/Afonso%20settlement.pdf\)](http://www.courts.ri.gov/PublicResources/media/PDF/Afonso%20settlement.pdf)

The money would be paid by the insurance company of Moses Afonso Ryan and Antonio Afonso, who are two of the 14 defendants in the state's lawsuit against the architects of the deal for alleged negligence.

Chafee is hopeful that taxpayers will get their money back through this and future court rulings. While Antonio Afonso and his law firm agree to the settlement to put the issue to rest, they deny any liability.

38 Studios' demise left taxpayers on the hook to repay nearly \$90 million to the 38 Studios bondholders, which has triggered a heated debate over whether lawmakers should repay them.

Judge asked to block 38 Studios settlement

By Associated Press

Published: July 7, 2014, 9:23 pm

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The 38 Studios company logo is superimposed over a picture of the Rhode Island State House in Providence.

PROVIDENCE, R.I. (AP) — Two former employees of Rhode Island's economic development agency have asked a judge to block a settlement over the failed \$75 million deal with former Boston Red Sox pitcher Curt Schilling's video game company 38 Studios.

Keith Stokes, who was executive director of the agency formerly known as the Economic Development Corp., and J. Michael Saul, who was deputy director, objected to the proposed settlement on Monday, [The Providence Journal reported](http://bit.ly/1qOEYs%20) (<http://bit.ly/1qOEYs%20>).

Antonio Afonso and his firm, Moses Afonso Ryan, agreed to pay \$4.4 million from the law firm's insurance policy. Afonso was bond counsel to the Economic Development Corp. on the deal.

The law firm says in the filing it denies any liability but wants to put the matter behind it.

Stokes and Saul, who are co-defendants in the case with Afonso, argue that the Rhode Island law allowing such individual settlements is unconstitutional.


If approved, it would be the first settlement in the high-profile lawsuit over 38 Studios. A hearing is scheduled for Tuesday.


The company moved to Rhode Island from Massachusetts in 2010 with the promise of a \$75 million loan guarantee. It declared bankruptcy in 2012, leaving the state on the hook for as much as \$100 million. The lawsuit was filed in 2012 against Schilling and others as an attempt to recover some of that money.


State investigators have begun interviewing lawmakers on 38 Studios

By Tim White

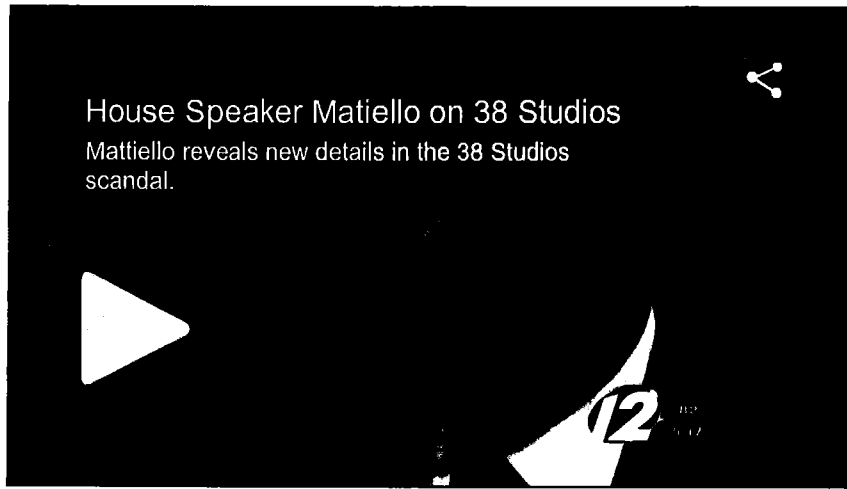
Published: July 3, 2014, 1:12 pm | Updated: July 3, 2014, 5:39 pm

 (<http://wpri.com/2014/07/03/state-investigators-have-begun-interviewing-lawmakers-on-38-studios/?share=twitter>)

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EAST PROVIDENCE, R.I. (WPRI) – Rhode Island House Speaker Nicholas Mattiello said he was interviewed by a state police detective within the last several weeks as part of an investigation into the controversial 38 Studios deal, saying he was asked about “certain individuals.”

At the outset of the interview – which Mattiello said was conducted by phone – Mattiello was told he is not a target of the investigation.

“I gave them background relative to my tenure in the general assembly, what committees I’ve served on,” Mattiello said during a taping of WPRI 12’s Newsmakers (<http://wpri.com/2014/07/03/newsmakers-732014-ri-house-speaker-nicholas-mattiello/>). “I gave them background on ... what I knew relative to 38 Studios which was more or less after acquired information.”

Mattiello was majority leader under former House Speaker Gordon Fox when the general assembly voted for a loan guaranty program that led to a \$75 million taxpayer-backed loan going to Curt Schilling’s video game company. Mattiello has said he didn’t know 38 Studios would receive so much of the money.

Asked if he knew the direction of the state police investigation based on the line of questioning, Mattiello said the detective had questions about specific people.

“There is an on-going investigation so I’m certainly not going to mention [the names] on a news program,” Mattiello said. “They asked me about certain individuals so I have some idea of where they’re looking.”

Mattiello added he is aware of other legislators that have also been contacted by investigators, but declined to say who.

Last month Mattiello sent an email to state representatives (<http://wpri.com/2014/06/18/state-police-to-interview-lawmakers-about-38-studios/>) informing them detectives were seeking interviews with state lawmakers who voted on the 2010 bill that created the 38 Studios loan program.

He said he R.I. State Police Col. Steven O’Donnell called him directly, asking for the contact information of legislators.

At the time, O’Donnell described the investigation into 38 Studios by the state police and Attorney General Peter Kilmartin’s office as “active and ongoing.”

He said investigators want "to ensure that anyone with information, who has not been previously contacted, has the opportunity to present it." He added: "No member of the legislature is suspected of wrongdoing simply because of their vote."

The legislation, H 8158, was sponsored by then-House Finance Committee Chairman Steven Costantino, D-Providence; Rep. Helio Melo, D-East Providence, who succeeded Costantino as chairman the next year; and former Rep. Jon Brien, D-Woonsocket. The legislation created a new \$125-million loan-guarantee program at the R.I. Economic Development Corporation (EDC).

The bill was lawmakers' second attempt to create the new loan program in the spring of 2010. The same proposal had been included in a supplemental budget passed by the House in April, but that measure died in the Senate, forcing Costantino and his colleagues to introduce the standalone bill on May 19.

The loan-guarantee bill passed the House on May 25, less than a week after it was introduced, on a 66-1 vote. Former Rep. Robert Watson, R-East Greenwich, cast the only vote against it. The Senate passed the bill on June 11, and then-Gov. Don Carcieri signed it the same day.

Less than two months after the legislation's enactment, the EDC board used \$75 million from the \$125 million program to entice 38 Studios from Massachusetts to Providence.

Most rank-and-file lawmakers have since said they had no idea when they voted for the program that so much of the money would go to Schilling's company, though many allege then-Speaker Fox knew what was happening.

A law enforcement source with direct knowledge of the investigation told WPRI.com the request for interviews with lawmakers is not related to the state and federal probe swirling around former House Speaker Gordon Fox that led to raids on his home and office in March, but rather a separate and ongoing state-level probe into 38 Studios.

Tim White (twhite@wpri.com (mailto:twhite@wpri.com)) is the Target 12 (http://www.wpri.com/subindex/target_12) investigative reporter for WPRI 12 and Fox Providence. Follow him on Twitter: [@white_tim](http://twitter.com/#!/white_tim) (http://twitter.com/#!/white_tim)

WPRI.com reporter Ted Nesi contributed to this report

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**Dee Ploma** • 4 days ago

I don't believe for one moment that Speaker by quick coup and by Murphy calling in is favors to get him elected that Baby Huey Mattiello knew nothing despite his lies...I guess Murphy again is making sure his newly appointed speaker tries to give the appearance of being squeaky clean..hahahahahah Yea ok...the hypocrite Catholic church reader who voted for same sex marriage-against the doctrines of Catholicism..the same speaker who as Majority Leader wrote in the eleventh hour the bill to put that 10 cent toll on the bridge now defunct; (screwing Portsmouth residents) because that legislation would have come back to bite him --and the same hypocrite who with 3 other crony colleagues took that trip to NY to talk to S&P and Moody's when he knew all along the end result- that the state would pay 38 Studios. This road trip was for show.

Baby Hypocrite Huey is a phony just like this whole state police investigation with fellow phony, AG Kilmartin who got that job for being loyal to the Gen Assembly leadership,(his reward) as a loyal doobie member. This state police involvement is nothing but a charade. Kilmartin protects his own (remember he was once a cop, himself) and this state police involvement will go nowhere because they, too, are beholden to the leadership. This state has a corrupt insider deal-making government with people positioned in high places that will see to it that the suckers involved in the 38 Studios debacle never get punished...only the RI taxpayer will get punished since they are now held financially responsible in paying it through their taxes- The GA sheeple who with the involved players should be held accountable with leadership pushing for the vote and pushing for the loan payment. Those GA sheeple who do have opponents in November need to be beaten by such opponents since they are cowards and cannot stand up to their leadership but again, that's up to the constituents to clean out the state house and sweep out the corrupt climate that continually permeates the walls. And makes us a laughing stock state because people who live on the other states automatically associate corruption and backroom deals with RI!

3 ▾ • Reply • Share ▾

**Alan G. Palazzo** • 5 days ago

If ANYONE actually BELIEVES the RISP will get to the bottom of this mess, I have a Bridge in Brooklyn for sale, cheap!!!

Anyone recall the "results" of the RISP "Investigation" of the International Institute of Sports? Unfortunately, neither do !!!

2 ▾ • Reply • Share ▾

38 Studios lobby violation hearings begin, delay requested

By Tim White

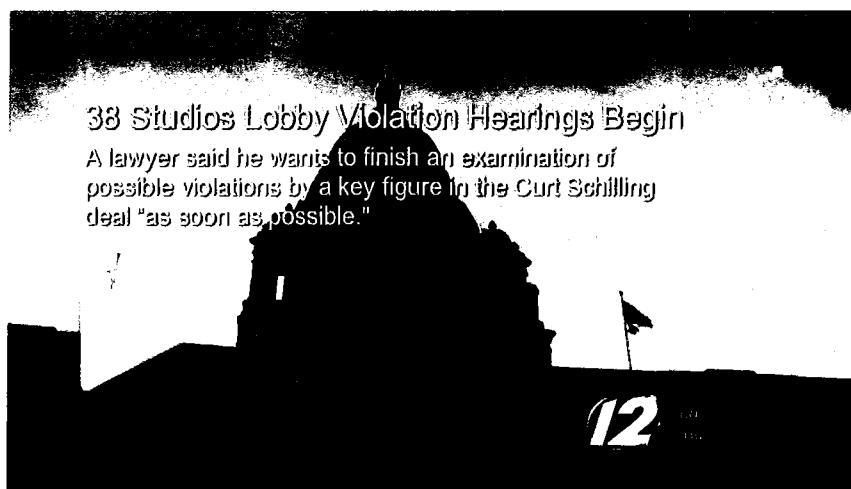
Published: July 1, 2014, 5:15 pm | Updated: July 2, 2014, 8:23 am

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PROVIDENCE, R.I. (WPRI) – A hearing into possible lobbying violations by a key figure in the 38 Studios deal was continued for a week, but a lawyer for the state said he wants the proceedings completed “as soon as possible.”

Mark Welch – a staff attorney for Secretary of State A. Ralph Mollis’s office – said he was told by a lawyer representing the individual, Michael Corso, that there was a scheduling conflict for Tuesday’s hearing at the State House.

Hearing officer Louis DeSimone, a judge of sorts for the proceedings, set a new date of July 11 at 9 a.m. for the violation hearing to begin.

DeSimone – who said he was being compensated \$150 an hour for his work – was appointed by Mollis. DeSimone is a cousin of House Majority Leader John DeSimone, and was the last individual to conduct lobby violation hearings, back in 1996 under then –Secretary of State James Langevin.

In a letter to Corso, Mollis laid out the state’s claims, accusing him of violating the state’s lobbying laws four times.

“It would appear that on numerous occasions, including on March 16, 2010 you met with certain individuals, including duly elected members of the General Assembly, to discuss the passage or amendment of certain pending legislation,” the letter states. “You also met with certain representatives of a public corporation for the purposes of influencing policy-making decisions or policy-making actions of the public corporation.”

Mollis launched the probe in the wake of a Target 12 investigation that revealed no one from 38 Studios or hired by the company registered to lobby Rhode Island government when the controversial deal was being put together in 2010.

In a response letter, Corso’s attorneys denied that he violated the law. DeSimone said Corso is not required to be at the hearing, but has the opportunity to present a defense.

“This is not a criminal hearing so he is not physically required to be here,” DeSimone said. “It’s up to whether his counsel instructs him to be here or not be here. Certainly if he is here he can provide whatever statement he chooses.”

Mollis said his office continues to gather details and could add more violations before next Friday’s hearing.

"We're going to make an argument that there has been a lot of media reports and potential contracts that show Mr. Corso may have functioned as a lobbyist," Mollis said. "And by that he should have filed with our office."

Anyone found to have violated the rules can be fined \$2,000 for legislative lobbying and \$1,000 for executive-branch lobbying.

The secretary of state's office also sent letters of inquiry to Curt Schilling, former 38 Studios board member Thomas Zaccagnino and former R.I. Economic Development Corporation executive director Keith Stokes.

Mollis said he anticipates scheduling hearings for Schilling and Zaccagnino in the coming weeks. He said attorneys for Stokes have argued he is exempt as a designee of the executive branch.


"We don't want to allege someone was a lobbyist when they weren't," Mollis said. "That may be the case with Mr. Stokes."

Tim White (twhite@wpri.com (<mailto:twhite@wpri.com>)) is the [Target 12](http://www.wpri.com/subindex/target_12) (http://www.wpri.com/subindex/target_12) investigative reporter for WPRI 12 and Fox Providence. Follow him on Twitter: [@white_tim](http://twitter.com/#!/white_tim) (http://twitter.com/#!/white_tim)

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8

RI, law firm reach \$4.4M settlement in 38 Studios lawsuit

By Ted Nesi

Published: June 27, 2014, 4:42 pm | Updated: July 1, 2014, 5:42 pm

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p (<http://wpri.com/2014/06/27/ri-law-firm-reach-4-4m-settlement-in-38-studios-suit/?share=pinterest>)



PROVIDENCE, R.I. (WPRI) – The Chafee administration has reached a tentative settlement with two of the parties the state has sued for their role in putting together the controversial 38 Studios deal, WPRI.com has confirmed.

The draft settlement with Moses Afonso Ryan Ltd., a law firm that was bond counsel in the 38 Studios deal, as well as Antonio Afonso Jr., one the firm's partners, calls for them to pay \$4.4 million to settle the suit, according to court filings obtained by WPRI.com. The payment would be made by their insurance company, Liberty Insurance Underwriters Inc.

The proposed settlement is the first such deal reached in the 38 Studios litigation, though it still needs to win final approval from R.I. Superior Court Judge Michael Silverstein, who is overseeing the case. He has scheduled a July 7 hearing on the matter. A spokesman for Moses Afonso Ryan declined to comment, noting that Silverstein hasn't ruled yet.

"I hope this is going to be the first in a series" of settlements, Max Wistow, the lead lawyer for the state in the 38 Studios suit, told WPRI.com on Friday. He declined to comment further because the litigation is ongoing.

The R.I. Commerce Corp. board of directors voted Monday evening to approve the settlement agreement, and the two sides finalized it on Tuesday, the documents show. "The proposed settlement is a step in the right direction, and I hope this is the beginning of a positive resolution to the 38 Studios saga," Gov. Lincoln Chafee said in a statement.

In the court documents, lawyers for the two sides explained their rationale for moving to settle the suit.

Moses Afonso Ryan and Antonio Afonso himself "deny any liability for the allegations made against them," the lawyers wrote. "Nonetheless, they are consenting to have their insurance carrier pay the remaining policy limits of [\$4.4 million] to put this matter behind them and avoid the risk of a judgment after the trial that is larger than whatever might remain (if anything at all) as available insurance proceeds."

Similarly, lawyers wrote that the Commerce Corp. "could possibly lose its case against the [Moses Afonso Ryan] defendants and get nothing" or alternatively "obtain a much larger judgment after trial, but there would be little if anything left in the [Moses Afonso Ryan] insurance policy to pay such a judgment."

- PDF: [Read the proposed 38 Studios settlement agreement](http://www.courts.ri.gov/PublicResources/media/PDF/Afonso%20settlement.pdf)
(<http://www.courts.ri.gov/PublicResources/media/PDF/Afonso%20settlement.pdf>)

The Commerce Corp., known then as the R.I. Economic Development Corp., guaranteed a \$75-million loan to lure 38 Studios, a video-game company founded by Curt Schilling, to Rhode Island in 2010. The company collapsed into bankruptcy in May 2012, and the Chafee administration sued the architects of the deal for alleged negligence (<http://blogs.wpri.com/2012/11/01/ri-sues-schilling-stokes-others-over-38-studios-deal/>) the following November.

Moses Afonso Ryan and Antonio Afonso Jr. are two of the 14 defendants in the lawsuit. Others include Schilling and additional 38 Studios executives, Wells Fargo & Co., Adler Pollock & Sheehan and former EDC executive director Keith Stokes. Depositions are still being taken and a trial date hasn't been set.

38 Studios' demise left Rhode Island taxpayers on the hook to repay roughly \$89 million in principal and interest payments to the 38 Studios bondholders, which has triggered a heated debate over whether lawmakers should repay them. Chafee, a strong advocate of paying back the bonds, has said he hopes taxpayers will recoup some or all of the money through the courts.

The General Assembly passed a law earlier this year specifically authorizing the administration to enter into legal settlements with the various parties in the 38 Studios suit if necessary.

Ted Nesi (tnesi@wpri.com (<mailto:tnesi@wpri.com>)) covers politics and the economy for WPRI.com and writes the *Nesi's Notes* blog (<http://blogs.wpri.com/author/tednesi/>). Follow him on Twitter: [@tednesi](http://twitter.com/tednesi) (<http://twitter.com/tednesi>)

Tim White and Dan McGowan contributed to this report.



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Former EDC officials object to 38 Studios settlement

Posted: Jul 07, 2014 3:28 PM EDT

Updated: Jul 07, 2014 4:59 PM EDT

By Associated Press

PROVIDENCE - Two former employees of Rhode Island's economic development agency have asked a judge to block a settlement over the failed \$75 million deal with former Boston Red Sox pitcher Curt Schilling's video game company 38 Studios.

Keith Stokes, who was executive director of the agency formerly known as the Economic Development Corp., and J. Michael Saul, who was deputy director, objected to the proposed settlement on Monday, The Providence Journal (<http://bit.ly/1qOEYVs>) reported.

Antonio Afonso and his firm, Moses Afonso Ryan, agreed to pay \$4.4 million from the law firm's insurance policy. Afonso was bond counsel to the Economic Development Corp. on the deal.

The law firm says in the filing it denies any liability but wants to put the matter behind it.

Stokes and Saul, who are co-defendants in the case with Afonso, argue that the Rhode Island law allowing such individual settlements is unconstitutional.

If approved, it would be the first settlement in the high-profile lawsuit over 38 Studios. A hearing is scheduled for Tuesday.

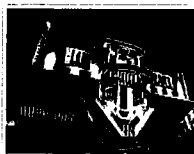
The company moved to Rhode Island from Massachusetts in 2010 with the promise of a \$75 million loan guarantee. It declared bankruptcy in 2012, leaving the state on the hook for as much as \$100 million. The lawsuit was filed in 2012 against Schilling and others as an attempt to recover some of that money.

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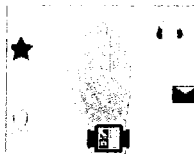
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Secretary of state's hearing will look at Corso's role in bringing 38 Studios to R.I.

July 01, 2014 11:20 PM

BY KATHERINE GREGG

Journal State House Bureau

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PROVIDENCE, R.I. — Secretary of State A. Ralph Mollis has hired the cousin of House Majority Leader John DeSimone, at \$150 an hour, to preside over his hearings into lawyer and tax-credit broker Michael Corso's 2010 role in bringing 38 Studios to Rhode Island.

The inquiry focuses, more specifically, on whether Corso's actions constituted unregistered lobbying.

Louis DeSimone, a former legal counsel in the secretary of state's office, presided over a brief hearing Tuesday to set a new date, in light of the request that Corso's lawyers, Anthony Traini and Michael Lepizzera Jr., made for a continuance.

The posting served notice of an "administrative hearing with regard to Michael D. Corso, for failure to register as a legislative and executive lobbyist for calendar year 2010 and failure to file legislative and executive lobbying reports for calendar year 2010."

The hearing has now been rescheduled for 9 a.m. July 11.

But already, Cumberland Mayor Daniel McKee, who is Democrat Mollis' primary opponent in the race to become lieutenant governor, is accusing Mollis of conducting a "charade of a hearing."

McKee said Mollis should have asked years earlier: "Is there lobbying going on?" To now hire the House majority leader's cousin to preside over the hearing — after stating in 2012 that he saw no need to question who lobbied — perpetuates "the impression that [Mollis] is a connected insider that is going to continue the cover-up."

Mollis had this response: "Despite Mayor McKee's political rhetoric, we only recently received information which 'allowed' us to conduct a hearing and... we've hired the only person in the last 20 years who has experience conducting such hearings and we will continue moving forward with the people's business."

In 1996, DeSimone was the legal counsel to the secretary of state, James Langevin, when Langevin threatened Providence Place mall developer J. Daniel Lugosch with \$5,000 in fines for months of overdue reports on his State House lobbying activities. Lugosch balked at first, then filed the reports.

Corso was the lawyer, tax-credit broker and campaign supporter of Gordon D. Fox, House speaker at the time, who arranged a pivotal March 16, 2010, meeting in his law office between Fox, former Red Sox pitcher Curt Schilling and another top executive in Schilling's videogame company.

A month later lawmakers were asked to vote on the legislation that enabled Gov. Donald Carcieri's administration to give Schilling's company a \$75-million, state-backed loan as an inducement to move to Rhode Island, though rank-and-file lawmakers have said they were never told for whom the money was earmarked.

Corso's role in this meeting was first disclosed by The Journal on May 20, 2012, as 38 Studios was spiraling toward bankruptcy.

The subsequent bankruptcy filing detailed Corso's extensive financial ties to 38 Studios, including: a July 1, 2010, engagement letter for Corso's Kingston Capital Group; a Nov. 7, 2011, developer services agreement for his Orb Development; a Dec. 7, 2010, personal engagement letter; and a Jan. 1, 2011, consulting agreement with Corso's Kingston Capital.

Documents made public by the House Oversight Committee more recently shed further light on his role.

He was hired to render "general business consulting services, including but not limited to public and government relations services, media interactions, reviewing press releases and other media statements, community integration with the local business community, interactions with government agencies and various public officials," according to an agreement, dated Jan. 1, 2011.

Mollis pledged to conduct hearings into Corso's potential role as an unregistered lobbyist after WPRI-TV confronted him on camera with some of these documents.

The range of potential penalties is wide, depending on whether the hearings produce evidence of willful violations.

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Michael D. Corso, whose role in bringing 38 Studios to Rhode Island will be the subject of a hearing.



Secretary of State A. Ralph Mollis

"It would appear that on numerous occasions, including on March 16, 2010, you met with certain individuals, including duly elected members of the General Assembly to discuss the passage or amendment of certain pending legislation," Stacy Dicola, director of the division within the secretary of state's office that oversees lobbyist disclosure, wrote Corso on May 14.

The response from one of Corso's lawyers, Traini: "If the secretary has any such evidence supporting the conclusion that Mr. Corso should have registered — other than what 'appears' to be the case from 'various media sources' — you should let us know what it is."

"We also question the Secretary's authority to require Mr. Corso (or anyone else for that matter) to comply with the registration requirements retrospectively."

Asked why Mollis had decided to conduct the hearings now, his spokeswoman Raina Smith said: "Our office is investigating now, because it has recently come to our attention that someone may have been paid to lobby certain legislators and administrative officials regarding legislation on behalf of his client (38 Studios).

"Initially, it was said that the meetings in question were a meet-and-greet to discuss what programs EDC had available, and no mention of legislation was discussed at said meetings, which does not constitute lobbying and therefore not warrant an investigation."

Mollis' office has also sent warning letters, relative to unfiled lobbying reports, to others involved in the 38 Studios loan deal, including Schilling.

Schilling's lawyer, Edward J. Hayes, acknowledged that his client "participated" in meetings on March 16 and 22, 2010, but he said: "Mr. Schilling attended those meetings at the request of certain public officials in Rhode Island who Mr. Schilling understood were interested in convincing him to move his 38 Studios business operations from Massachusetts to Rhode Island."

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Kenneth Buonaiuto - Ex-RI House speaker Fox's personal loan from registered lobbyist still unpaid

From: Todd Catlow
To: Brown, James; Buonaiuto, Kenneth; Creamer, Robert
Date: 6/27/2014 5:09 PM
Subject: Ex-RI House speaker Fox's personal loan from registered lobbyist still unpaid

W. Zachary Malinowski

Journal Staff Writer

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Published: June 26 2014 05:55

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- [Investigators search home, office of RI House Speaker Fox \(+video, poll\)](#)
- [Gordon Fox has broken barriers but has also faced scrutiny](#)

PROVIDENCE, R.I. — Former House speaker Gordon D. Fox, whose State House office and East Side home were raided by federal investigators three months ago, received a personal loan from a registered legislative lobbyist who served three terms in the General Assembly.

The loan surfaced in disclosure statements that Fox, who represents District 4 on the East Side, filed on Wednesday with the state Ethics Commission. The loan "in excess of \$1,000," was listed in his 2013 financial disclosure statement as well as amendments to documents that he submitted in 2010, 2011 and 2012.

The lobbyist, a former deputy secretary of state and former state representative, is Ray Rickman, who represented District 3 on College Hill for six years in the late 1980s and early '90s.

Rickman, in a phone interview on Thursday, said that he first met Fox 33 years ago when the future House speaker was a 19-year-old student at Rhode Island College.

"I am Gordon Fox's mentor," Rickman said. "I used to give him bus fare to go to college. I am his personal friend."

Sometime in 2009, Rickman said that Fox approached him, saying that he was experiencing serious financial problems and needed a loan to pay his bills. He said that he provided him with the loan from his firm, Rickman Group, which does strategic planning primarily for nonprofit organizations.

Rickman declined to specify how much he loaned Fox. "It was a personal loan that I forgot about," he said.

Earlier this year, Rickman said that Fox told him that his days in the General Assembly were numbered and that he would soon find a new job and pay back the loan. Rickman said that he told Fox that once he was paid back he planned to travel to Europe and spend two weeks in hotels in Rome.

In his work as a lobbyist, Rickman has represented entities including insurance services and agencies that provide support services for developmental disabilities and mental health counseling, the Associated Press reported.

Records from the state Board of Elections show that between December 2003 and January 2012, Rickman made contributions to the Fox campaign that totaled \$3,070.

On March 21, agents from the FBI, Internal Revenue Service and the state police raided Fox's State House office and home at 11 Gorton St., a few blocks from Blackstone Boulevard. Investigators spent the day wheeling boxes of documents from each location.

The next day, Fox announced his resignation as speaker of the House. He stopped attending sessions of the General Assembly for about a month.

The office of U.S. Attorney Peter F. Neronha has not charged Fox with any crimes and it has not disclosed the nature of the investigation that prompted the raids. The 2013 report that Fox filed with the Ethics Commission states that he owns a vacant lot at 8 Locust St., in the Mount Hope neighborhood.

He also said in the report that he traveled last year to an Executive Committee Meeting in San Diego, Education Summit in Miami, National Speakers Conference in Los Angeles and a State Legislative Leaders board meeting in Orlando, Fla.

Fox spent \$6,990 to attend the four conferences.

Kenneth Buonaiuto - Bond lawyers settle with R.I. for 38 Studios advice

From: Todd Catlow
To: Brown, James; Buonaiuto, Kenneth; Creamer, Robert
Date: 6/27/2014 5:04 PM
Subject: Bond lawyers settle with R.I. for 38 Studios advice

Bond lawyers settle with R.I. for 38 Studios advice

Published: June 27, 2014 04:59 PM

PROVIDENCE, R.I. -- One of the lawyers who advised the R.I. Economic Development Corporation on its loan guarantee to the 38 Studios videogame company has settled a lawsuit with the agency.

Antonio Afonso and his firm -- Moses, Afonso Ryan -- have agreed to pay \$4.37 million from the law firm's insurance policy to settle their part in the lawsuit, according to a R.I. Superior Court document.

The R.I. Economic Development Corporation sued 14 individuals, law firms and financial institutions in Superior Court in November 2012, a few months after Curt Schilling's video-game company filed for bankruptcy. Afonso served as bond counsel to the EDC on the deal.

The agency - now known as the R.I. Commerce Corporation - seeks money to help cover the costs of the \$75-million bond sale that raised money for 38 Studios' operation in Rhode Island.

The company's closure left the General Assembly with the task of deciding whether to repay the bonds and the \$37.6 million in interest payments that go along with them over 10 years - for a total of \$112.6 million.

Excluding the amounts covered by reserve funds, state taxpayers owe \$89.2 million on the state-backed loan.

Kenneth Buonaiuto - Corso hearing date with RI secretary of state delayed

From: Todd Catlow
To: Brown, James; Buonaiuto, Kenneth; Creamer, Robert
Date: 6/27/2014 5:02 PM
Subject: Corso hearing date with RI secretary of state delayed

By Randal Edgar

redgar@providencejournal.com

Published: June 27 2014 04:45

PROVIDENCE, R.I. — Secretary of State A. Ralph Mollis said Friday that a hearing with Michael Corso to look into "potential lobbying violations" will be delayed until after July 10.

The hearing was scheduled for July 1, but Mollis's office, at the request of Corso's attorney, agreed to a delay, said Mollis spokeswoman Raina Smith.

Corso, a lawyer and tax broker, helped orchestrate the \$75 million loan guarantee that brought 38 Studios to Rhode Island, and Mollis's office is now trying to determine whether he should have been registered as a lobbyist, Smith said.

The Secretary of State's office is also working to schedule hearings three other figures who had key roles in the 38 Studios deal — Keith Stokes, former director of the Rhode Island Economic Development Corporation; Thomas Zaccagnino, a former 38 Studios board member; and Curt Schilling, the company's founder.

Smith said Corso asked for the delay because of a "scheduling conflict." Mollis did not object to "the courtesy request for continuance, but will be asking that a new hearing date be scheduled as soon as possible," she said.

June 24, 2014 01:00 AM EDTJune 23, 2014 11:34 PM EDTHodgson: R.I. AG Kilmartin should 'step aside' on 38 Studios investigation

Hodgson: R.I. AG Kilmartin should 'step aside' on 38 Studios investigation

Published: June 24, 2014 01:00 AM

Comments 3



Kathy Borchers/The Providence Journal

R.I. Attorney General Peter Kilmartin should "step aside" from the 38 Studios investigation because of the possibility he could be called as a witness in the state police's probe, according to his Republican challenger for the AG's post.

By Katherine Gregg

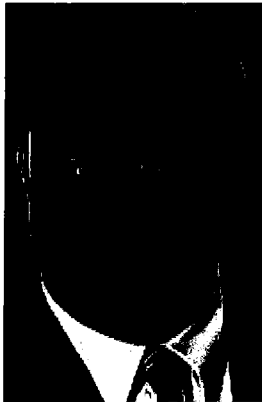
Katherine GreggProvidence Journal

Journal State House Bureau

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Published: June 24 2014 01:00

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Sen. Dawson Hodgson, R-North Kingstown, who is running for attorney general.

Photo: Frieda Squires / The Providence Journal

PROVIDENCE, R.I. — Republican attorney general candidate Dawson Hodgson says it is time for the incumbent, Peter Kilmartin, to acknowledge that as a “potential witness” in the state police’s 38 Studios investigation he needs to “stand aside” because “the appearance of a conflict of interest ... is just too strong.”

Hodgson pinned his statement to the disclosure last week that the state police want to talk to all legislators, past and present, who participated in the 2010 vote to create the loan-guaranty program that set the stage for the state’s failed \$75-million involvement in an ex-ballplayer’s high-risk video-game company.

An email from House Speaker Nicholas Mattiello to his House colleagues last week also put them on notice that the state police had requested their cellphone numbers.

In 2010, then-Rep. Kilmartin was one of the lawmakers who voted for the loan-guaranty bill.

His spokeswoman, Amy Kempe, was communications director at the time for then-Gov. Donald Carcieri, who led the state economic-development board that approved the state-backed loan that brought former Red Sox pitcher Curt Schilling and his company to Providence.

On Friday came news that Kempe had been subpoenaed in the state’s lawsuit against the major players in the failed loan deal.

Hodgson’s statement said both developments “highlight the fact that Peter Kilmartin and his senior staffer are just too close to the 38 Studios scandal to be counted on to provide justice to the people in this matter.”

“Peter Kilmartin himself is a potential witness in the case, and now so is one of the highest ranking members of his administration. It is time for him to acknowledge that the appearance of a conflict of interest in this case is just too strong, and step aside.”